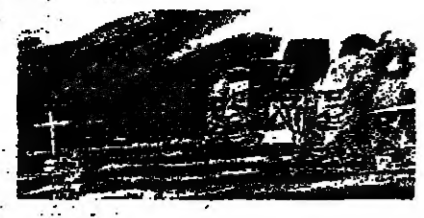
Weekend FT



The return of the witches

Page I

Hi-tech sleuths on the track of the art thieves

Page VII

Taking it easy in Kenya

Page XI

Peril on the yellow brick road

Page XIV

Inside section II
18 Pages

FINANCIAL TIMES

Weekend September 19/September 20 1992 EUROPE'S BUSINESS NEWSPAPER D 8523A

Chinese minibus company to seek New York listing

Brilliance China Automotive, which has a majority stake in minibus manufacturer Shenyang Automotive, plans to become the first Chinese company to sell shares in the US and to list on the New York Stock Exchange. It aims to raise $70m to $80m through an initial public share offer.

The move is designed to establish a precedent for equity fund-raising by state-owned Chinese businesses in top western capital markets. Page 26

Foreign debt warning: Russia will need $15bn-$20bn in external financing next year to bridge its balance of payments gap even after a "reasonable" foreign debt rescheduling, foreign economic relations minister Peter Aven, said. Page 8

Philips, Dutch electronics group, suffered a fall of nearly 7.5 per cent in its share price after it cautioned that profits were likely be halved this year. Page 14; Lex, Page 26

Mansell signs for Indy race team

Formula One motor racing world champion Nigel Mansell (left) will join film star Paul Newman's Newman-Haas Racing team in the 1993 Indy Car World Series and the Indianapolis 500. Mansell, who on Sunday said he would retire from Formula One racing at the end of the season, will team up with American Mario Andretti, 52. Mansell's deal is believed to be worth about £3m.

UK deficit grows: Britain's current account deficit widened to almost £6bn in the first half as exports of invisible goods, failed to match expectations. Page 26

Itoman, former Japanese textile trader which became a property and art speculator, is to be dissolved under a merger proposal announced by the Sumitomo group. Page 14

BBC job losses: The BBC is to cut 1,250 jobs among support staff such as market research and publicity personnel. The corporation expects the move will save it £150m over five years. Page 9

County NatWest, part of National Westminster Bank, said it would stop making markets in 200 to 300 small companies following a similar move by Warburg Securities. Page 26

UK Tory finance chief: Martin Saunders, P&O group finance director, has been appointed Conservative party director of finance. The move is intended to strengthen the party's financial position, said Tory chairman Sir Norman Fowler.

Miyazawa backs bank aid: Japanese prime minister Kiichi Miyazawa insisted public funds could be used to bolster the troubled banking system, contradicting the view of the Ministry of Finance. Page 8

Kvaerner, Norwegian engineering, shipping and shipbuilding group, has acquired the Warnow shipyard in eastern Germany for NKr4m ($682,000) putting it into the top league of world shipbuilders. Page 14

Caution on 'no-fly' zone: The US and Britain are against any immediate attempt by western nations to enforce a "no-fly" zone in Bosnia as a way of stopping air attacks by Serb forces. Page 8

Manx plan for depositors: The Isle of Man government is to introduce a compensation scheme for depositors in the Savings and Investment Bank, which collapsed 10 years ago with £42m of depositors' funds. Page 9

Unions to the fore: Seven out of 10 British employers in companies with more than 200 employees still negotiate with trade unions, according to a survey of European industrial relations. Page 9

Attack on warder's home: Shots were fired through a bedroom window at the home of a prison warder at Dundonald, near Belfast. No one was hurt.

Crash onlookers fined: Bystanders who crowded the scene of a rescue operation after 20 people died in Germany's worst tourist bus crash have been fined for illegal parking. Police said 145 people were fined up to DM120 ($80) (£45) for parking in meadows close to the accident near Donau-Eschingen earlier this month.

STOCK MARKET INDICES

FT-SE 100	2,567.0	(+83.1)
Yield	4.75	
FT-SE Eurotrack 100	1,070.96	(+12.82)
FT-A All-Share	1,204.37	(+3.4%)
Nikkei	18,166.80	(+50.28)
New York: lunchtime		
Dow Jones Ind Ave	3,328.02	(+4.32)
S&P Composite	421.31	(+1.38)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo. Treas Bills: Yld	2.941%
Long Bond	98½
Yield	7.381%

LONDON MONEY

3-mo Interbank	10%	(10¼%)
Liffe long gilt future:	Sep 98 ⅞	(Sep 97¼)

NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$20.425	(same)

Gold

New York Comex (Sep)	$347.9	(349.6)
London	$352.0	(348.25)

STERLING

New York lunchtime:		
$	1.7485	
London:		
$	1.74	(1.761)
DM	2.6125	(2.64)
FFr	8.94	(9.035)
SFr	2.27	(2.3)
Y	217.8	(221.5)
£ Index	85.5	(86.4)

DOLLAR

New York lunchtime:		
DM	1.4985	
FFr	5.1275	
SFr	1.29535	
Y	124.575	
London:		
DM	1.501	(1.483)
FFr	5.1375	(5.0725)
SFr	1.305	(1.2915)
Y	124.85	(124.35)
$ Index	61.9	(61.5)
Tokyo close Y 124.33		

For customer service and other general enquiries call:

Frankfurt
(69) 15685150

PM appears to back Lamont against Kohl as prospect grows of Tory party row

Major calls for ERM reform

By Ivo Dawnay in London and Robert Graham in Florence

MR JOHN MAJOR last night appeared to back Mr Norman Lamont, chancellor of the exchequer, after he became embroiled in sharp exchanges with Chancellor Helmut Kohl of Germany over responsibility for the turmoil in Europe's foreign exchange markets.

In his first interviews since the pound was withdrawn from the European exchange rate mechanism on Wednesday, the UK prime minister argued there were structural "fault-lines" within the ERM that needed to be tackled.

Moreover, in words that appeared implicitly to support Mr Lamont, he insisted the UK would not return to the ERM until it was reformed and until Denmark had clarified how it intended to proceed after its No vote to ratification of the Maastricht treaty on European political and monetary union.

Pressed as to how soon that might be, Mr Major replied: "Clearly, it is not imminent."

He said the chaos in the markets had stemmed from "a good deal of Europe" being caught between low dollar exchange rates and very high interest rates in Germany.

"This is a problem far apart from the British government. It is a problem which has stretched right across the European Community – and outside it," he said. Mr Major gave notice that the mechanics of the ERM would have to be reviewed, possibly at a heads of government summit to follow Sunday's French referendum on Maastricht.

Downing Street confirmed last night that such a meeting was being considered. The prime minister's intervention came after an extraordinary clash between Mr Lamont and Mr Kohl that looked set to sour still further the already strained relations between Britain and Germany.

Earlier in the day, Mr Lamont had openly fuelled the tensions by placing the blame for the week's events firmly at the Germans' door.

"We want to be satisfied that German policy that has produced many of the tensions in the ERM is going to have some changes that will lead to a more stable environment," he said.

In Italy, Mr Kohl issued a swift public rebuke to Mr Lamont for making Bonn the scapegoat, describing his comments as "inappropriate for a minister".

Mr Hans Tietmeyer, deputy president of the Bundesbank, denounced UK criticism as unfounded. "I think there were certain comments, which were not exactly characterised by 'fair-play'," he said. "But when one is in a difficult position then such a reaction is sometimes also understandable".

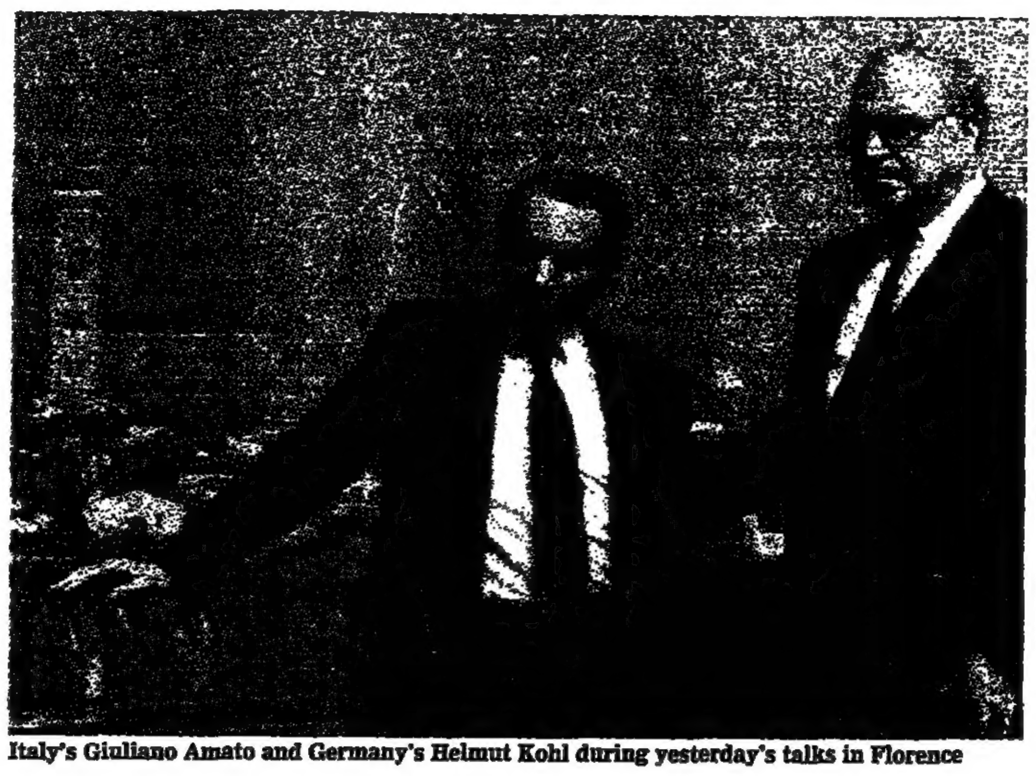
Mr Kohl, speaking in Florence, where he had a meeting with Mr Giuliano Amato, the Italian prime minister, also voiced a more general irritation with the British government.

Mr Amato had shrugged off suggestions that Italy had bowed to the dictates of Germany by referring to puppet shows watched by three- and four-year-olds. "There is always the good guy being beaten with a stick by the bad one," he said.

Mr Kohl said in relation to Britain's attitude to Germany: "Similar considerations apply."

Both men reiterated their faith in the Maastricht treaty's vision of economic and political union despite the week's turbulence which forced Britain and Italy to float their currencies outside the ERM. Mr Kohl endorsed Italy's

Continued on Page 26



Italy's Giuliano Amato and Germany's Helmut Kohl during yesterday's talks in Florence

Europe's currencies face heavy selling pressure

By James Blitz and Peter Marsh

MOST OF the remaining currencies in the European exchange rate mechanism came under intense selling pressure yesterday as investors grew anxious that France would vote No in its referendum on the Maastricht treaty tomorrow.

For the second day running, the Bank of France intervened heavily on the foreign exchange markets, buying francs for D-Marks, as its currency came within one centime of its floor against the German currency in the ERM.

Investors also sold the Danish krone and the Irish punt in exchange for D-Marks. The switch out of the Irish punt pushed up the interest rate at which commercial banks can lend to one another overnight in the Irish money market to 300 per cent. Dealers said the currency was also protected by Irish exchange controls.

Sterling, which withdrew with the lira from the ERM this week, again came under selling pressure after Mr Norman Lamont, the chancellor, cast further doubt over an immediate return to the system. However, dealers in the sterling money market priced in an imminent half percentage point cut in UK base rates.

The pound lost another 3.75 pfennigs yesterday, closing against the German currency at DM2.6125. At this level, it is 12 per cent below its former central ERM rate of DM2.95.

However, sterling's suspension from the system continued to raise hopes in equity markets that there would be a cut next week in the UK's bank base rates, currently at 10 per cent. The FT-SE 100 index of leading shares closed up 83.1, at 2,567.0, after a 105-point rise on Thursday. The gains took the index, up 196 points this week, to its highest level for three months.

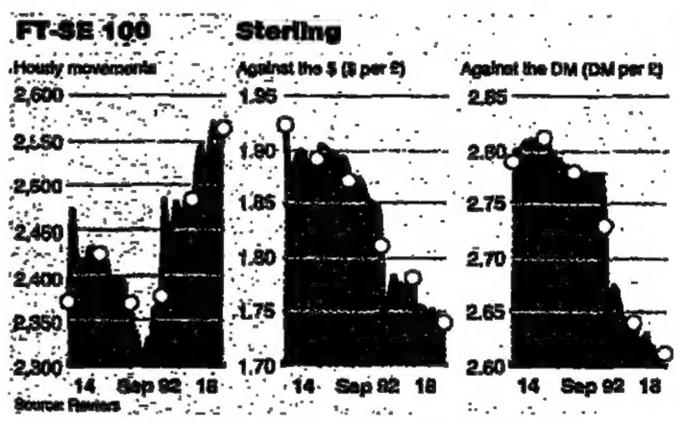
Rates in the sterling cash market also priced in a cut in UK base rates. Three-month money, an important indicator of what the market thinks the next move in base rates will be, closed at 9⅝ per cent on the offered side from 15 per cent the night before.

The French franc was supported by several factors apart from the Bank of France's intervention, including the temporary suspension by the French central bank of one of its key lending facilities to commercial banks.

Mr Hans Tietmeyer, the Bundesbank deputy president, helped the French currency by telling the Agence France Presse news agency: "The franc is in no way at risk. The franc is a very strong currency which has achieved inherent stability. On the contrary, it is a candidate for appreciation." The franc closed at FFr3.4230 to the D-Mark, 0.75 centimes above its ERM floor against the German currency.

The strains in the ERM were also felt in Belgium where the central bank governor, Mr Alfons Verplaetse, said the Belgian franc would move to a slightly wider divergence against the D-Mark during the "turbulent times".

London shares, Page 15
Currencies, Page 15
World stocks, Page23



THE POUND AND MAASTRICHT

Fate of Europe may be decided by a few tiny French territories

By Philip Stephens in London and William Dawkins in Paris

A CHILLING thought is sweeping through the foreign ministries of Europe as the world waits for tomorrow's French referendum on the Maastricht treaty.

The future of European union may be decided not in the suburbs of Paris or familiar Mediterranean *départements* but in a group of exotic territories sprinkled around the Caribbean, South Pacific, the Indian Ocean and North Atlantic.

With opinion polls still pointing to a perilously close race, the British Foreign Office – responsible because of the European Community presidency for drawing up elaborate contingency plans for any outcome – fears that the voters in France's overseas territories and domains could hold the key.

The so-called Domtoms – *départements d'outre mer and territoires d'outre mer* – account for more than 1m voters, or 2.6 per cent of the 38m French electorate, in places such as Martinique, Réunion, French Guiana and New Caledonia.

If the French electorate is finely divided, votes from these far-flung locations could be crucial. The trouble is no one quite knows what their opinion is. The pollsters who busily questioned everyone and anyone in Lille or Marseilles apparently did not get around to them.

Worse, the leisurely pace of the count in far-away places like the Indian Ocean island of Mayotte (population 94,410 in 1991) and the islets of St Pierre and Miquelon (6,392) off the coast of Newfoundland could severely disrupt plans for orchestrated displays of relief or unity by EC governments. While the outcome in mainland France will be known by tomorrow evening, the Domtom returns will not be collated until Monday afternoon.

French government officials reckon that, if anything, the Domtom vote will may slightly strengthen the Yes vote – though for the most perverse possible reasons.

The turnout will be very low because there is almost no interest in the EC. In one or two places, independence parties have urged voters to send in blank ballot slips to protest against French rule. But there have apparently been few appeals for a No vote.

One French official has concluded that the proportion of Domtom residents voting Yes could be up to 10 percentage points above that in mainland France.

Cabinet divided over speed of re-entry to system

By Ivo Dawnay,
Political Correspondent

EVIDENCE of differences within the cabinet over the speed of Britain's return to the European exchange rate mechanism emerged yesterday, raising the prospect of a lengthy internal struggle within the Conservative party.

Early in the day, the Tories' so-called Euro-sceptic wing was jubilant at remarks by Mr Norman Lamont, the chancellor, suggesting that there were now considerable obstacles to a rapid return to the exchange rate mechanism.

Speaking on BBC Radio's Today programme, Mr Lamont, one of the least enthusiastic Europeans in the cabinet, made clear that in the interim he would pursue a staunchly nationalistic policy.

"We are floating and we will set monetary policy in this country to meet our objectives and it will be a British economic policy and a British monetary policy," he said.

But later, Mr Michael Heseltine, the strongly pro-European trade and industry secretary, stressed that a long-term absence from the currency system could have serious consequences on foreign investment.

"If it was perceived that we were going to be part of a slow stream Europe, do you think all those Japanese companies would continue to invest here on the scale that they are?" he asked an interviewer.

The contrast in tone came after both ministers agreed that the government's prime aim continued to centre on squeezing inflation. Mr Lamont added, however, that in the changed circumstances a secondary goal would be to help create a revival in the economy.

Moreover, he gave notice that he would need to consider three factors before a return to the ERM would be undertaken. These were developments in the cur

Continued on Page 26

CONTENTS

Austria Sch30; Bahrain Din1.000; Bermuda $1.65; Belgium BFr60; China FEC 12; Canada C$1.40; Cyprus C£1.00; Czechoslovakia Kcs35; Denmark DKr14.00; Egypt E£4.00; Finland Fmk10; France FFr8.50; Germany DM3.30; Greece Dr250; Hong Kong HK$16; Hungary Ft160; Iceland IKR180; India Rup20; Indonesia Rp3,800; Israel NS5.50; Italy L2500; Japan Y600; Jordan JD1.20; Korea Won 2500; Kuwait Fils.500; Lebanon US$1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.50; Morocco Dh11.00; Nigeria Naira20.00; Netherlands Fl3.50; Norway Nkr15.00; Oman OR1.20; Pakistan Rs35; Philippines Peso 45; Poland Zl 18000; Portugal Esc190; Qatar QR10.00; S.Arabia Ria9.00; Singapore S$4.10; Spain Pta200; Sri Lanka Rup30; Sweden SKr14.00; Switzerland SFr3.00; Taiwan NT$65; Thailand Bht50; Tunisia Din1.000; Turkey L6000; UAE Dh9.00; USA $1.25 (Alaska & Hawaii $1.75)

NEWS: THE ERM AND MAASTRICHT

How Chancellor Lamont

Lamont: presented Bath meeting as a victory for Britain

IF there was a moment when Norman Lamont knew that his economic policy was in ruins, it came just seconds after 11am last Wednesday.

As sunshine streamed into Parliament Square, the Chancellor of the Exchequer rose from his desk in the Treasury, buttoned his dark blue, single-breasted suit, and stepped out into the barely less opulent splendour of his panelled outer office.

Half an hour earlier he had received agreement by telephone from the prime minister – 500 yards down Whitehall at the Old Admiralty building – to raise interest rates by 2 percentage points.

The announcement was to be released to the news agencies on the stroke of 11am. A small group of advisers, the chancellor at their centre, gathered round the Reuters news agency screen on the island of desks that guards his inner sanctum.

All morning the Bank of England had been fighting a desperate battle to save the pound from collapsing against the D-Mark and dropping through its agreed floor in the European exchange rate mechanism. Billions of pounds were used to try to stem the tide. Sterling rallied briefly, then dropped back.

As Big Ben struck 11, Norman Lamont and his team were transfixed by the numbers on the screen which monitored the currency markets. The chimes stopped and still the pound was sinking. A minute passed. The chancellor broke the silence. "It is not moving," he said. The battle was already lost.

The extraordinary events of this week which have engulfed the pound, shattered the British government's economic policy and shaken the ERM to its core began in earnest two weekends ago in the elegant city of Bath.

European finance officials, under Mr Lamont's chairmanship met to prepare, among other things, for the possibility of a No vote when the French deliver their verdict on the Maastricht Treaty on European union tomorrow. Already the cracks were beginning to appear.

The Germans believed that the weaker currencies in the ERM, such as the pound and the lira, were out of line with the rest. Germany's partners responded that it was Bonn which was out of line because the Bundesbank was keeping interest rates too high and stifling growth.

Despite subsequent denials that this had ever been mooted, the German delegation, led by Theo Waigel, the finance minister, and Bundesbank president Helmut Schlesinger, offered to reduce their interest rates. The price: a wide-ranging realignment of the mechanism. "In the event, the others weren't ready for it," said one German official later.

Lamont has since said that the Germans had at no time suggested the pound's devaluation within the ERM. In his statement after the meeting he presented the outcome as a victory for Britain. He had secured from the mighty Bundesbank a promise not to raise interest rates. The following morning Britain's Tory tabloids took up the theme.

The Bundesbank's president later confided that he was so angry at the conduct of the meeting that, at one point, he nearly walked out. He could hardly be expected to agree with Lamont's interpretation of the German's position. The Bundesbank bowed to no man, least of all a politician.

> The Bundesbank president was so angry he nearly walked out

When Schlesinger set the record straight the next day, the private disagreements became public. The markets smelled blood.

Last week pressure built up on the Italian lira. Over the weekend increasingly worried finance officials across Europe agreed a 7 per cent devaluation of the lira's central rate. The Italians then supported the Germans in the desire for a broader realignment. But the British continued to resist.

The lira had traded quite strongly on Monday and the Bank of England had plenty of ammunition to fight the speculators, or so it thought. Its $44.4bn (£25bn) in reserves at the end of August had been supplemented by a more recent £7.27bn borrowing in foreign currencies.

The initial catalyst for the fall of sterling was the dramatic fall of the lira shortly before lunchtime on Tuesday. Traders were beginning to believe that one devaluation was not enough.

By Tuesday night the pound closed in London just a fifth of a pfennig above its ERM floor of DM2.778, its lowest ever in the mechanism. There was a growing feeling in Whitehall that the currency could be tipped over the edge.

The Treasury called a high-level crisis meeting in Lamont's office with senior Bank of England officials in the Chancellor's office.

Beneath two glittering chandeliers, the details of the following day's tactics were plotted around a large oaken table.

Besides the chancellor, the key actors who were to shape tactics on Black Wednesday were there: Sir Terry Burns, the Treasury's gritty permanent secretary ("keep smiling" is one of his aphorisms); his right-hand man, economist Alan Budd; Andrew Turnbull, in charge of monetary policy; Bill Robinson, the chancellor's special political adviser; and Sir Nigel Wicks, the Treasury's laconic second permanent secretary in charge of international affairs.

The Bank group included: Robin Leigh-Pemberton, the aristocratic governor; Eddie George, deputy governor and the man in overall charge of market operations; Ian Plenderleith, associate director in charge of markets; Tony Coleby, director of monetary affairs; and Andrew Crockett, international director.

George, known in the City as Hard Eddie, outlined the strategy: take each part of the battle as it comes; escalate the defence in discrete stages. First there would be large and overt Bank intervention. A rise in interest rates would be held in reserve for later in the day.

But events were already conspiring to thwart their plans. Five hours earlier in Frankfurt, the seat of the Bundesbank, two journalists, one from Germany's principal business news paper, Handelsblatt, and one from the Wall Street Journal, were about to start an interview with Schlesinger.

They released a summary to the news agencies. Schlesinger was reported as saying that a more wide-ranging realignment of the ERM than the devaluation of the lira agreed at the weekend could have reduced turbulence in the currency markets. In code this meant that the Germans believed a sterling devaluation was necessary.

Italian unions to protest at cuts plan

By Haig Simonian in Milan

ITALIANS have reacted with a mixture of shock and resignation to the swingeing public spending cuts in next year's budget, unveiled by Prof Giuliano Amato, the prime minister, on Thursday.

The L93,000bn (£42bn) package of revenue increases and savings is the biggest attack on health and social security spending since Italy's welfare state was set up after the war.

In a first reaction to the cuts, which also involve a wage freeze for about 3.5m public-sector workers, the country's three union federations yesterday announced a series of demonstrations, culminating in a one-day stoppage for public sector workers on October 2.

However, the unions stopped short of calling a general strike, as demanded by some more militant members who took to the streets of big cities yesterday in protest. The wage freeze should save L9,900bn next year.

Around 20m Italians will lose their entitlement to free outpatient health care under the decision to make all families with incomes over L40m a year pay for prescriptions and general practitioners' and specialists' services in a move expected to save L5,000bn.

A further L13,750bn will come from by cutting the costs of the state pension system, threatened with bankruptcy.

The measures triggered a recovery in the financial markets, with government bond prices making up ground after Thursday's panic selling and share prices rising by around 2 per cent. The value of the lira remained broadly stable in relatively quiet trading in Milan.

Stockbrokers welcomed the measures, in spite of the introduction of a new tax on companies' net worth.

Rates for securities repurchase agreements between the Bank of Italy and commercial banks declined slightly to 21.01 per cent yesterday, after hitting an all-time record of 22.22 per cent on Thursday.

Mr Luigi Abete, chairman of the Confindustria employers' federation, expressed satisfaction with the government's measures, but warned that the proposals would have to be translated into fact if recent sacrifices were to have any effect.

Representatives of small businesses and shopkeepers' federations, the two groups most often accused of tax evasion, said the moves were "inevitable", and rejected claims their members were persistent tax-dodgers. Denying reports of unjustified price rises for foodstuffs following the lira's devaluation, the shopkeepers expressed concern about the possible effects on employment of the latest measures, which could cut consumption.

● In a step overshadowed by the budget, the Senate, the upper house of parliament, approved the Maastricht treaty on European union.

Pressure for interest rates cut may become irresistible

Bonn fears collapse into vicious circle of recession

By Quentin Peel in Bonn

ONE OF THE great ironies of the soaring strength of the Deutsche Mark on European currency markets is that it comes amid grim prospects for the German economy.

Far from providing the motor for any European economic recovery, the soaring costs of German unification threaten to become the brake on hopes of revival in the rest of the European Community.

Mr Jürgen Möllemann, the German economics minister, warned in his budget speech a week ago that drastic action must be taken to prevent the economy getting locked into a vicious circle. He saw a failure of the east German economy to pick up from its dramatic slump, coinciding with a western economy held back from revival by the huge costs of state transfers to the east.

It is those transfers, running at around DM150bn (£57bn) a year, which are weighing down on the capital markets, and persuading the Bundesbank to keep real interest rates high to hold back credit expansion and inflation.

Yet the transfers, overwhelmingly for infrastructure spending, unemployment benefit and wage subsidies, are not yet having any appreciable effect on recovery in the east, where industrial investment is running at only 60 per cent of the western per capita level, suggesting that the east is if anything likely to fall further behind the west.

The business magazine Wirtschaftswoche yesterday poured scorn on hopes of an economic turnround in the wake of the Bundesbank's marginal cut in interest rates last Monday.

It cited figures of an accelerating decline in business confidence throughout the past year in western Germany, while in the east, the mood remained overwhelmingly negative.

The gloom was reflected in the latest monthly report of the Bundesbank, published this week, which warned that the duration and size of western subsidies for the east would be far greater than first calculated.

Fears over the cost of unification, and the growing unwillingness of western citizens to pay more (more than two thirds now say they are unwilling to freeze or cut their own incomes to help eastern recovery), have inspired Chancellor Helmut Kohl's plans to negotiate a "solidarity pact" among the central government, opposition, local and state governments, employers and trade unions.

While hopes for the pact are high, the starting points of the participants are far apart.

Mr Kohl and the employers are clearly looking for severe wage restraint in both east and west, to encourage investment. The trade unions are adamant that no such restraint will be forthcoming without substantial increases in the contributions of industry and the better-paid to investment in the east.

Mr Möllemann is looking for big reforms in labour practices to cut industrial costs. His proposals arouse fury from both the unions and the opposition Social Democrats.

The prospects of a deal on the solidarity pact, supposed to be agreed by the end of the year, are therefore remote. Unemployment and hidden unemployment in the east are stoking racial unrest there, with no end to the rash of attacks on hostels occupied by foreign workers and asylum seekers.

The domestic political pressures on the Bundesbank to relax its harsh interest rate policies may become irresistible by the end of the year, for fear of tipping the economy into full recession.

Poll shows backing for referendum

By Quentin Peel

MOST Germans, in both east and west, favour holding a referendum on the Maastricht treaty on European union, according a comprehensive opinion poll. Some 75 per cent in the west, and 85 per cent in the east, want a vote.

At the same time, a narrow majority is still in favour of the treaty, although many more believe that the replacement of the D-Mark with a single European currency would be wrong.

There is a growing feeling that the European Community brings Germany more costs than benefits, and scepticism about the advantages of the single EC market.

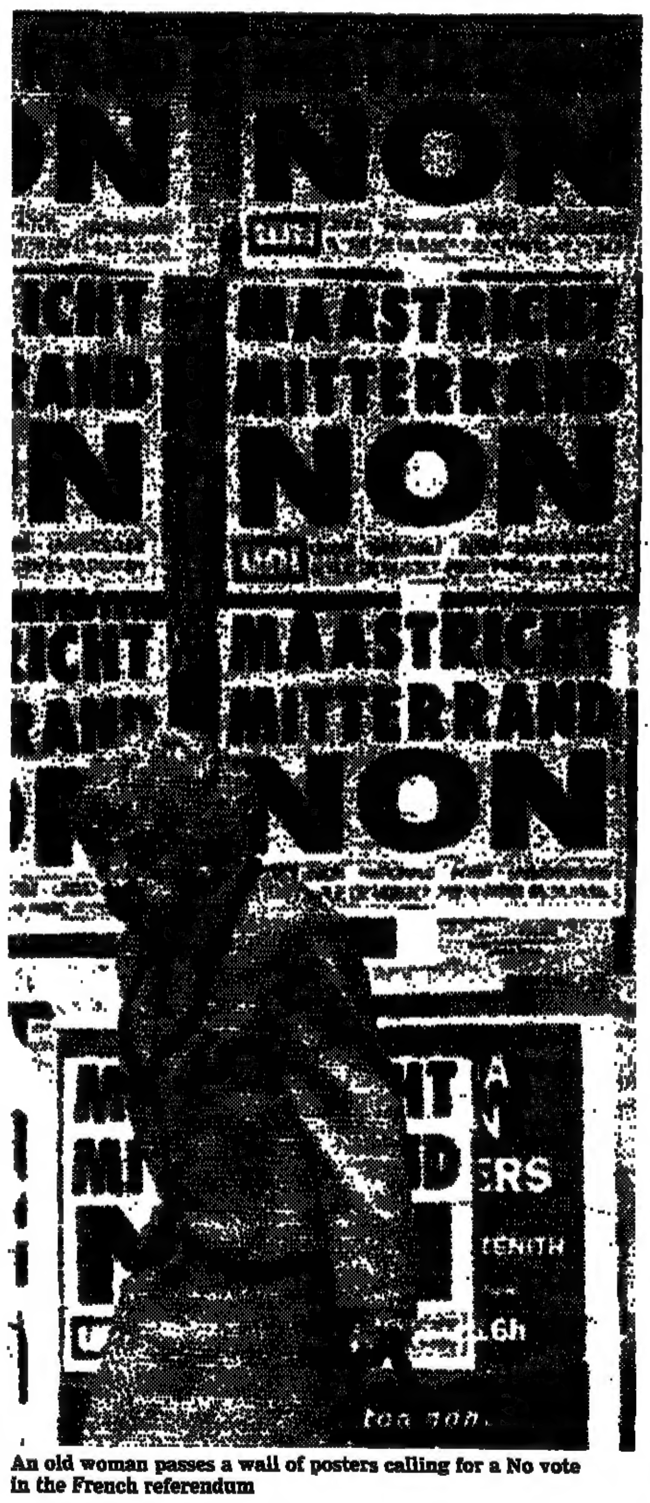
The poll found more dissatisfaction with the German government, and with the opposition, than at any time in the past 15 years. The only reassurance for the political establishment was that support for the extreme-right-wing Republicans has decreased slightly since the last poll.

Support for the EC has deteriorated rapidly among German people since the Maastricht Treaty was agreed. This is not reflected in political circles.

In east Germany – with 20 per cent of the population – 55 per cent would vote No in a referendum, against 43 per cent saying Yes. However they are outweighed by western voters, 47 per cent of whom would vote Yes, against 37 per cent voting No, and 16 per cent undecided. The combined result would leave a 46-to-41 per cent majority in favour, with 13 per cent undecided.

The overwhelming cause of dissatisfaction is concern about the future of the D-Mark: 68 per cent in the west, and 75 per cent in the east, oppose its replacement by a single currency. Eighty per cent believe a single currency would be less stable.

All the views spell gloom for Chancellor Helmut Kohl, who has adopted European integration as his theme for uniting the country. He comes bottom in the poll of politicians' popularity.



An old woman passes a wall of posters calling for a No vote in the French referendum

Pre-poll package for small farmers

By David Gardner in Brussels

THE European Commission was last night due to announce a relief package for hard-pressed small French farmers, who all opinion polls say will vote massively against the Maastricht treaty in tomorrow's referendum.

The measures follow Commission pledges to review anomalies left unresolved when the Common Agricultural Policy was radically reformed in May. But the timing reflects a plea for help from Mr Louis Mermaz, French agriculture minister, who wrote to Mr Jacques Delors, Commission president, 10 days ago seeking eight changes to the CAP reform package.

Mr Delors was due to make the announcement in France last night, according to senior Commission officials.

Small dairy farmers who keep "suckler" cows for beef production, most of them in central France, should get additional premium payments worth about £100m, the officials said. The proposal, though approved by Brussels, still has to be endorsed by EC farm ministers, who meet in Brussels on Monday.

In southern France, producers of durum wheat (used largely for pasta) are expected to have restored to them the 25 per cent premium over ordinary wheat, abolished under the CAP reform except in a restricted list of "sensitive areas". The cost of this is unclear, as the Commission has not finalised the proposal.

Although only a fraction of the more than 1m small farmers in central and southern France will benefit, officials say a sweetener may temper their hostility towards the EC.

Although Maastricht has nothing to do with the CAP reform, French government opinion polls from as far back as mid-June revealed a bedrock of 70 per cent opposition to the treaty among farmers.

Europe's prospects hang on Germany

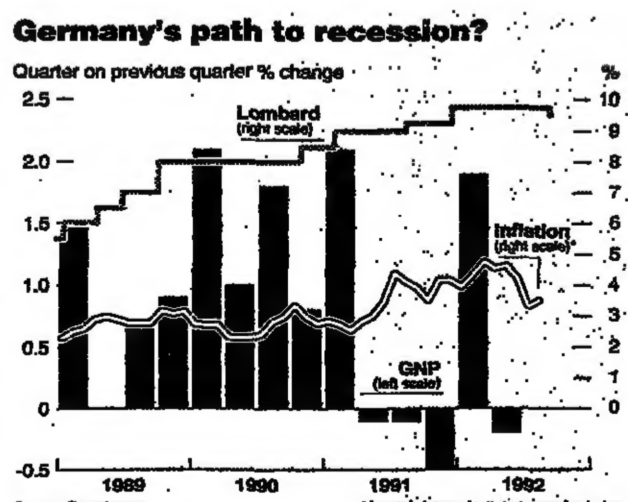
Edward Balls assesses the outlook for the continent's economies in the wake of the ERM crisis

GERMAN interest rates have fallen, a number of European countries have devalued their currencies, but the outlook for the continent's economy remains as uncertain now as it did a week ago.

Economic growth looks set to slow further next year in most European countries, the result of the high interest rates in Germany and throughout Europe that are responsible for the crisis within the exchange rate mechanism (ERM).

The economic consequences of Germany's continuing power struggle between the government and the Bundesbank will continue to dominate the European economic scene, whether or not the ERM survives its current turbulence.

Only the UK can be relatively confident that its economic growth rate will accelerate somewhat over the coming months as a result of last week's turmoil. Burdened by unusually heavy personal and corporate-sector debts, the UK economy has suffered more than elsewhere from the high interest rate floor that Germany's tight monetary policy has given to Europe.



Freed from the ERM constraint, the UK government should now be able to cut British interest rates below Germany's so long as it postpones any refixing of sterling against the D-Mark.

Elsewhere the immediate outlook looks much less certain. Any positive impulse towards lower European interest rates as a result of last Monday's disappointingly small cut in the German discount and Lombard rates has probably been offset by the rise in interest rate differentials resulting from the growing uncertainty within the ERM.

A general breakdown of the ERM would be one possible route to lower interest rates outside Germany. Far more likely, a No or narrow Yes vote in Sunday's French referendum could provoke a similar speculative attack on the franc and a general ERM realignment. Appreciation of the D-Mark against still more currencies, and the resulting disinflation within Germany, would probably be enough to persuade the Bundesbank to cut German rates once more.

For France, this could mean a welcome fall in interest rates. But the chances of a noticeable acceleration in French economic growth before 1994 still look poor, even if interest rates were to start to fall.

In Italy, the opportunity to cut its interest rates below those in Germany may remain elusive, despite its temporary departure from the ERM. The government's finances remain in a parlous state. And without the stick of the ERM commitment, and maybe also the carrot of membership of a European monetary union, the Italian parliament may be reluctant to agree to a budget package which bites deeply into its powers of patronage.

The government's proposed deficit reduction package of L93,000bn (£42bn) in new taxes and spending cuts in 1993 is bound to reduce Italian economic growth in the short term if it receives parliamentary approval. But the package may still prove too small to convince markets that the government can finally set the public debt on a downward path. Unless the government can also obtain executive powers to allow further budget consolidation, the Bank of Italy will have to keep interest rates painfully high.

For Italy, the collapse of the Maastricht Treaty could spell disaster. But elsewhere in Europe, freedom from the treaty's tough fiscal policy convergence criteria would also be good for economic growth.

Germany's economic problems will continue to place a question mark over the medium-term prospects for European economic growth.

"Europe's growth prospects will improve and interest rates fall as a result of an ERM breakdown," says Mr David Walton, economist at Goldman Sachs investment bank. "But the medium-term outlook will remain closely tied to events in Germany. If the German economy stays very weak, then the chances of a robust European recovery are poor, whether or not the ERM survives."

Whether slow growth will turn to recession depends, in large part, on how long the Bundesbank will keep German interest rates high. Unless the government can come up with a credible plan to cap its growing fiscal deficit, interest rates may stay high for some time yet. ERM or no ERM, a recessionary Germany spells danger for European economic growth.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: THE ERM AND MAASTRICHT

lost the battle for sterling

When the FT called the Bank of England and the Treasury to seek reaction, near panic ensued in Whitehall and Threadneedle Street.

As British officials fought desperately to lessen the impact of the story, Leigh Pemberton twice called Schlesinger at his home in Oberursel near Frankfurt to try to clarify the report.

The academic Mr Schlesinger - who years ago told a close Bundesbank colleague "the markets do not interest me" - appeared bemused by the news that his quoted comments were already creating havoc on the foreign exchange markets.

"The interview has not been authorised," he twice told the Bank of England governor. He appeared "puzzled" at all the confusion.

Though denials were soon forthcoming, the scene for the bloodletting on the foreign exchanges was set. What Schlesinger was quoted as saying was too close to the known views of many top officials in the central bank - including his own.

Throughout the night, the Federal Reserve Bank of New York and the Bank of Japan supported sterling.

By 7.30am on Wednesday, a small team assembled in Eddie George's room in Threadneedle Street, A team of eight foreign exchange dealers sat hunched over their computer consoles to execute orders with the outside world. Plenderleith ordered them to spend about £2bn in three separate interventions. By 8am the pound was firmly pinned to its floor.

By 8.30, the Treasury crisis group re-assembled in the chancellor's room. Plenderleith called the Treasury over a special secure hot line to convey the sombre mood. Lamont, having spoken to the prime minister earlier in the day, ordered more intervention from the Bank's foreign currency reserves. Leigh-Pemberton and George joined the meeting, smuggled in through a side entrance to avoid the waiting photographers.

As the heavy artillery in the City began sterling's day long pounding, Major took his armour-plated Jaguar the two minute drive down Whitehall to the Admiralty.

His destination was a long scheduled 9am meeting with Michael Heseltine, Douglas Hurd, Kenneth Clarke, Richard Ryder, the chief whip, and Sir Norman Fowler, the Conservative party chairman. The subject was supposed to be Maastricht - but the meeting became a *de facto* war cabinet.

By 10.30am, the call everyone was dreading from the chancellor came through. Major left the meeting to take it. Hearing that the pound was sinking he calmly approved the two percentage point interest rate hike to 12 per cent, returning to the meeting to inform his colleagues.

The prime minister made certain that this core group of ministers would convene for the key decisions – an insurance policy that the law of "collective responsibility" would be invoked in full.

At 11am, the move was announced. The chancellor's group was aghast as the pound barely moved. One member of the group thought to himself: "It's all over." The currency market was coming to the same conclusion.

By noon, Lamont ordered more intervention. It was like trying to stop a whirlwind. There followed a short discussion about whether suspension from the ERM would be in the Treasury's best interests. At 1pm. sandwiches were called in. Many were left untouched. One private secretary, more hungry than the rest, ordered a baked potato.

> One member of the Treasury group thought to himself: "It's all over"

At 2:15, the Bank made its final move, raising interest rates to 15 per cent, the first time in history it had raised rates twice in a day. The stock market's reaction was telling: it rallied, traders there believing the interest rate policy was unsustainable in view of the weakness of the economy and sterling would have to be devalued.

Total central bank intervention on Wednesday alone may could have exceeded £15bn.

Almost before the second rise had been received and contemptuoliy batted off by the markets, Major was making his plans for sterling's tactical withdrawal from the ERM.

The currency market was coming to the same conclusion.

Major ordered calls to be put through to Pierre Bérégovoy, the French prime minister, and to Chancellor Kohl.

Just before 4pm, the Bank of England initiated a conference call to its fellow central banks and informed them of the decision to suspend sterling's membership of the mechanism.

Not knowing where the downward spiral would stop and with reserves severely depleted, the view was that a devaluation would probably not be tenable.

Faced with the full scale of the defeat, Major once again summoned his cabinet colleagues at 5pm, this time with Lamont and Leigh Pemberton in close attendance.

As the ministerial cars rolled up, a curious Londoner asked of the press scrum outside the Admiralty as to what was going on. "Half the cabinet's in there deciding what to do about the sterling crisis," came the reply.

"Oh," said the unshaken enquirer, "we thought it was something important."

Inside, the prime minister and chancellor were spelling out their drastic solution. One Whitehall insider has since reported that while the Treasury and Bank officials appeared close to panic, Major remained calm. The move to pull out of the ERM was formally agreed.

By 6.36pm, the time Heseltine, the last minister to leave, had climbed back into his green Daimler, the markets had been long officially closed with the pound still beneath its bands.

Just over an hour later with the twilight fading in the Treasury's elegant neo-classical courtyard, Lamont adjusted his tie, pulled straight a slightly rumpled suit jacket and began to speak to the forest of wooly microphones and cameras.

"Today," he began," has been an extremely difficult and turbulent day...."

On Thursday morning, despite working until 3am, civil servants reproted that Lamont returned to his office with a smile on his face and a spring in his step.

"I have had an excellent night's sleep and I feel fine," he is reported to have told his colleagues. "It has been the first time for some time that I have had a night where I haven't had to worry about the pound."

Reports by Stephen Fidler, Ivo Dawnay, Peter Marsh, Quentin Peel, James Blitz, Emma Tucker, David Marsh and Tracy Corrigan

Schlesinger: puzzled at confusion over his remarks

Yes and No votes in tomorrow's referendum are only a guillotine blade's breadth apart

Maastricht lifts the lid on French fears

By David Buchan in Paris

THIS evening, 3½ months of campaigning grinds to a halt as 38m Frenchmen and women ponder whether and how to vote in tomorrow's referendum on the Maastricht treaty, and Europe's politicians and the world's money dealers hold their breath for the first results shortly after 8pm French time.

The stakes remain virtually as high as on June 3, when President François Mitterrand called the referendum in France, in reaction to the treaty's defeat in Denmark the day before.

French rejection will seal the doom of the treaty, though some claim that this week's explosion in the European Monetary System may have mortally wounded Maastricht's single currency project anyway.

Likewise, a No verdict will create political upheaval in France, though the president's newly-discovered prostate cancer has heightened the feeling that the Mitterrand era is already drawing to a close.

The eve-of-poll strengths of the Yes and No camps seem to be a guillotine blade's breadth apart. The French have responded to the first great debate their country has had in 40 years on European integration with all their famous political volatility.

The No voters clawed their way up from 30 per cent in the June opinion surveys to a narrow majority in late August, only to fall back slightly by the time public polling ended a week ago. Since then, the rumour mills have been whirring with whispered results of secret surveys.

So, the sure bet Mr Mitterrand seemed to be making in June on the pro-EC sentiments of his fellow citizens has come to be the riskiest of gambles. His not-so-hidden motive was, of course, to deflect from his own unpopularity by discomfiting the main opposition parties on an issue that splits them.

But his public rationale – the need for popular endorsement of France's participation in further EC integration – has acquired a life and legitimacy of its own. Judged by its import for present and future generations in France, Maastricht warrants a referendum far more than, say, the last issue to be put to such a vote in 1988, a new constitution for remote New Caledonia.

Yet the range and complexity of the treaty's provisions make a verdict very hard to reduce to Yes or No, as the large number of undecided – as many as 30 per cent in the last public polls – attests. Indeed, Maastricht has lifted the lid on a Pandora's Box of French gripes and fears about the Community, and about France's place in it.

Back in June when the French parliament was going through the first stage of the ratification process by amending the constitution, the only contention was whether foreigners (citizens from other EC states) should be allowed to vote in France's local and Euro-elections. The issue was of little moment, except to Mr Jean-Marie Le Pen's far-right National Front.

But the open debate of the referendum campaign brought out four big guns against the treaty – the "three musketeers", Mr Charles Pasqua, Mr Philippe Séguin, Mr Philippe De Villiers from the main opposition parties; and Mr Jean-Pierre Chevènement from the ruling Socialists – and four big issues.

- The broadest has been the debate over French sovereignty: whether Maastricht would compromise or protect it and how the EC should be made more democratic.
- The French desire to maintain influence in Europe has shown itself in the campaign to be largely defensive. That is to say, pro-Maastricht arguments that Europe should project itself as a superpower through common foreign and military policies have struck far less resonance than assurances that Maastricht would help protect France from unwanted immigrants and imports.
- The prospect of technocrats in an independent central bank, alien to French tradition, running a Euro-currency has been extensively and ably exploited by the No campaigners. But this week's monetary turmoil will have reminded many French voters of the instability of the current system, and may make them heed the warnings of the Yes camp that worse would follow rejection of Maastricht.
- Swirling around these issues has been the future of France's key relationship with Germany, the one country which it constantly measures itself against and which it feels outstripped by.

THE QUESTION	OUI ☐ NON ☐
Approvez-vous le projet de loi soumis au peuple français par le Président de le République autorisant la ratification du Traité sur l'Union Européenne?	
('Do you approve the draft law put to the French people by the President of the Republic authorising the ratification of the Treaty on European Union?')	

Even if domestic political considerations do not chiefly determine how many French vote tomorrow, they will be uppermost in French minds, once the result is in.

Mr Mitterrand rightly calculated that a Euro-referendum would fracture the opposition more than his own Socialists. The RPR and UDF have committed themselves to presenting a single candidate at the next presidential elections, which they failed to do in 1981 and 1988. But Mr Jacques Chirac and Mr Giscard d'Estaing remain rivals for that candidacy, having failed to share a platform during the campaign. And Mr Mitterrand's health problems almost certainly do not give them much time to make common cause.

But no assumptions are safe about how the wily president will react to tomorrow's verdict. Obviously, he will take a Yes verdict as a personal endorsement, but one which perhaps allows him to resign fairly soon, with honour amid relative political calm.

A No decision will undoubtedly shift the French political landscape. Foremost, it will be a slap in Mr Mitterrand's face. But it might also see the "three musketeers" and Mr Chevènement bursting the bounds of their respective parties and splitting in opposite directions towards the solidly anti-Maastricht National Front and the Communists. Mr Mitterrand might well then feel, as captain of a storm-tossed France, he must stay on at the helm. In doing so, he would be able to see whether there are political realignments to his own party's benefit.

Private polls show Yes vote

By William Dawkins in Paris

PRIVATE opinion polls over the past week show a small margin for a Yes vote in the French referendum on the Maastricht Treaty.

Five surveys over the past few days show between 52 per cent and 56 per cent support for the treaty, a right-wing political party disclosed yesterday. The sources are confidential because publication of opinion surveys in the week before a national vote is forbidden.

This last-minute indication of support for European union came as anti-treaty campaigners accused Mr Pierre Bérégovoy, the prime minister, of holding the franc "hostage". The three leaders of the anti-Maastricht campaign, Mr Philippe Séguin, Mr Charles Pasqua and Mr Philippe de Villiers, said Mr Bérégovoy had acted against national interests by warning that a victory for the No camp would harm the franc.

Mr Bérégovoy replied that the anti-Maastricht campaigners had "called into question our currency by irresponsible comments".

The past week has proved a bonanza for the polling organisations, but has also led to widespread criticism of the ban on publication of polls. Mr Michel Brulé, a director of BVA, which has conducted polls every day for private clients since last weekend, argues that the ban restricts information to the privileged few, able to pay up to FFr50,000 (£5,500) for a survey.

Mr Jean Saint-Geours, president of the Commission des Opérations de Bourse (COB), the stock market watchdog, is also critical of the ban, but has nevertheless pledged to ensure that it is strictly observed. The COB has launched an inquiry into all trading from September 12, when the publication ban came into effect, until its expiry at midnight tomorrow.

As a result, securities houses are being ultra-cautious about how they handle confidential polls. One US firm has allowed only its top two European directors to see the results of its privately commissioned polls. They are allowed to take account of the findings but have been ordered not to communicate the results.

However, there are reports of at least one poll, for an unidentified opposition party, indicating a No majority.

Silver lining for dollar in clouds over the ERM

By Michael Prowse in Washington

THE MELTDOWN of the Exchange Rate Mechanism (ERM) has shaken confidence throughout Europe, but left many US investors feeling more, rather than less, secure. The consensus view of Wall Street analysts is that the dollar has turned. The strong gains registered in the past week are widely seen as just the beginning of a sustained, if sometimes bumpy, recovery for the US currency.

The Bundesbank's agreement last weekend to a quarter-point cut to 9.5 per cent in the Lombard rate is seen as the turning point. "The principle was established that the Germans would respond to pressure," says Mr David Jones, chief economist at Aubrey Lanston, the New York broker. At the meeting of the Group of Seven leading industrialised countries in Washington today, Mr Nicholas Brady, the US treasury secretary, is expected to press hard for further cuts in German rates.

Speaking in Washington yesterday, Mr Brady said lower interest rates in Europe were "inevitable if that continent is to return to growth".

On Wall Street, the turmoil in the ERM is seen as bringing forward the timing of cuts in European rates. "The breaking apart of EMS [European Monetary System] discipline will force larger interest rate cuts in Europe sooner than would otherwise have occurred," says Mr Robert Giordano, chief US economist for Goldman Sachs, the investment bank.

"The dollar's appreciation reflects the fact that people are now more optimistic about German interest rate cuts," agrees Mr Philip Suttle, an economist who follows European developments for J.P. Morgan, the New York bank.

In the short run, exchange rate chaos in Europe has also served to enhance the dollar's status as a "safe haven" currency. Ahead of tomorrow's French referendum on the Maastricht treaty, the future of European economic and monetary integration hangs in the balance. By contrast, a huge, politically stable, unified American market for exports and investment can be taken for granted.

The safe haven argument for the dollar should not be exaggerated, however, because the US is facing one of the most open presidential elections in recent history. Financial analysts, moreover, are shifting to the view that Mr Bill Clinton, the Democratic contender, will win. Normally, the prospect of a political shift from right to left would send tremors through financial markets and undermine the dollar.

Such fears, however, are balanced by a recognition that it would be hard for Mr Clinton to perform less well economically than the incumbent. Mr Bush has not only presided over the slowest growth since Herbert Hoover, he has also lost control of federal spending and run up even larger budget deficits than did his predecessor, Ronald Reagan.

The dollar is unlikely to appreciate without setbacks, however. US economic figures this week were weaker than expected, raising fresh doubts about the momentum of the domestic recovery.

Retail sales and industrial production both fell by 0.5 per cent last month. There were mitigating circumstances: production was affected by Hurricane Andrew and the fall in retail sales was partly balanced by upward revisions for July. Nonetheless, these were hardly figures to inspire confidence.

And some analysts think there is worse to come. Mr Geoffrey Dennis, a US-based economist for James Capel, the UK stockbroker, predicts very weak employment figures for September. The combination of soft economic numbers and the dollar's rebound is widely seen as increasing the pressure for US interest rate cuts.

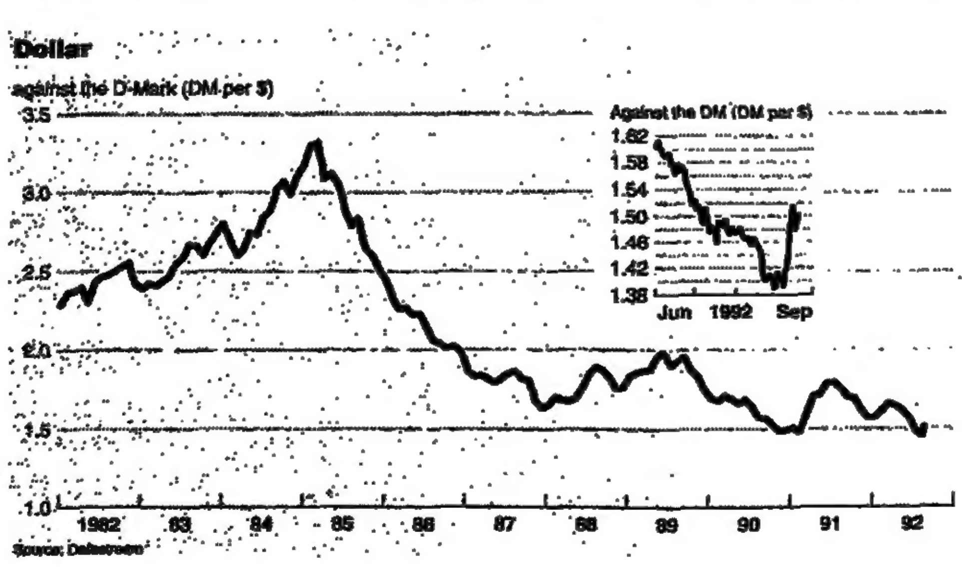
Early this month, the Federal Reserve shaved short-term interest rates by a quarter-point to 3 per cent, but was prevented from easing more aggressively by dollar weakness. Mr Jones at Aubrey Lanston thinks there is a 50:50 chance that poor employment figures would persuade the Fed to complete that easing move by signalling a half-point cut in the discount rate to 2.5 per cent early in October.

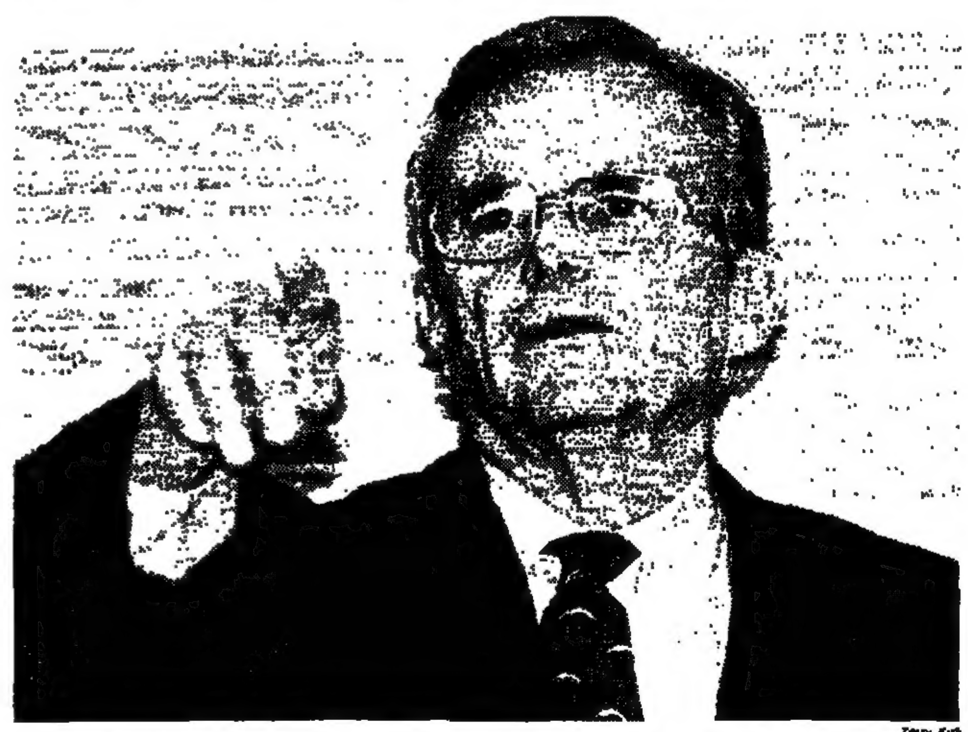
The case against another cut, however, is that the Fed would not want to look politically partisan so close to an election. Without a prior easing of interest rates in Europe, a unilateral Fed move would also threaten another bout of instability on currency markets.

Looking beyond current uncertainties, most US forecasters expect the US recovery to gather momentum next year. US interest rates are thus expected to begin firming within six months or so. At the same time, many US analysts believe European – and especially German – economic troubles are deeper than previously suspected. Perhaps naively, many expect German intransigence on interest rates to recede as recessionary forces become more evident.

How much might the dollar rise in such circumstances? Mr Giordano at Goldman Sachs says that he would not be surprised if the dollar rose to DM1.60 within a few months. Purchasing power parity comparisons of relative price levels suggests the potential gains could eventually be much greater.

In any case, movements against the D-Mark may understate the dollar's underlying strength. If the de facto outcome of this week's turmoil is a revaluation of the D-Mark in Europe, the dollar will appreciate faster against weak European currencies, such as sterling and the lira, than against the D-Mark. Whatever happens, another roller-coaster ride seems in store for the world's currency markets.





Terry Kirk

Nicholas Brady, US treasury secretary: little to offer in return for the German rate cuts he seeks

US, German clash likely

By George Graham in Washington

THE US and Germany are expected to clash over interest rates at today's meeting of the Group of Seven (G7) leading industrial nations in Washington's Dumbarton House.

The US has been urging Germany to take more active measures to stimulate the world economy, and Mr Nicholas Brady, the US treasury secretary, will argue that Germany must make further cuts in interest rates to help growth in the European Community.

While US treasury officials welcomed the Bundesbank's reduction in official interest rates on Monday as "a significant change in direction", they made it clear that they believe more cuts are needed soon.

"I think you can say in due course in Germany you will look forward to lower interest rates," said Mr David Mulford, US treasury undersecretary for international affairs. "That's clearly the signal they sent. The timing of that is a complex matter dependent on developments in Germany, developments in markets and so on."

Now Japan has met insistent demands by the US for faster growth with an ambitious government spending package, Germany will be the chief target for the US at today's G7.

Senior US treasury officials say the German economy is now showing clear signs of slowing down, and the Bundesbank may not be giving itself enough credit for success in controlling the inflationary pressures of unification.

But in the absence of any credible US commitment to reducing its vast budget deficit – which many countries feel poses a more significant problem for the world economy than German interest rates – Mr Brady will have little to offer in return for the rate cuts he seeks.

■ Chancellor expected to reiterate concern over German policies ■ Government urged to boost confidence of home buyers

Heseltine moves to offset revolt by party

By David Owen and Chris Tighe

THE GOVERNMENT yesterday moved to reassert its European credentials in the face of increasingly open dissent within the Conservative party.

Mr Michael Heseltine, trade and industry secretary, said that the week's turbulence should not be perceived as the end of Britain's move towards Europe.

His remarks came as Mr Kenneth Baker, the former party chairman, moved to place himself in the forefront of the Tory Euro-sceptics.

In an article in The Daily Telegraph, followed by an interview on BBC Radio 4, Mr Baker made clear his opposition to the pound's early return to the exchange rate mechanism, making more likely a strong Tory backbench revolt in next week's emergency Commons debate on the economy.

During a visit to the north-east of England, Mr Heseltine said companies must not be deflected from urgently needed preparations for the single European market. "We have to persuade the people who work in our companies to take the readjustment to the single European market seriously and urgently," he said.

Any misreading of Britain's approach to Europe could also affect inward investment, which the UK had been successful in attracting in the 1980s – such as the £900m Nissan car plant he visited yesterday.

"They didn't come here because it was Britain, they came here because it was Britain in Europe. If there were to be any doubt about that, then many of these companies who have positioned themselves in Europe by basing themselves in Britain would have to reconsider that strategic judgment."

Mr Baker said that conditions for sterling to re-enter the ERM would take "a very long time to get right". The UK "should not be too keen to re-enter the ERM, even if it survives. The Maastricht concept of a single currency for the whole of the Community will not come about this century."

Articulating the wishes of many grassroots Conservatives, Mr Baker also urged Mr Norman Lamont, the chancellor, to make further rapid cuts in interest rates. "I want to see interest rates coming down to 6 per cent," he said.

Conjuring up a vision of Britain – untrammelled by the ERM – buoyed by the fastest growth rate of any western economy, he said: "Interest rates in Britain are now not determined by bankers in Frankfurt. The chancellor is a free man."

The government's position that sterling would return to the ERM "as soon as conditions allow" was criticised more forthrightly by other Euro-sceptics. Sir Teddy Taylor, secretary of the Conservative European Reform Group, described it as "arrogant and bumptious".

Sir Rhodes Boyson, former Conservative minister and another prominent Euro-sceptic, said that Britain needed to rejoin the ERM like it needed "a hole in the head".

But there was support for the government from Mr Hugh Dykes, Tory MP for Harrow East and chairman of the European Movement, who said membership of the ERM was "essential for this country's future prosperity".

The row over the ERM grew as the agenda for next month's Tory party conference was published. The motions on the agenda were submitted before July 13 but include a number of pleas for Britain to leave the ERM and several calls for a referendum on Maastricht.

Mr John Mason, the Scunthorpe solicitor who is this year's conference chairman, said he expected the conference to be "very lively" on occasions. He described its timing as "fortunate".

It also emerged that Baroness Thatcher, the former prime minister, will attend the Brighton conference, posing a delicate stage-management question for party organisers.

Lamont to leave US IMF gathering early

By Peter Norman in Washington

MR Norman Lamont, the chancellor, plans to leave the Washington meetings of the International Monetary Fund and World Bank for London early on Monday to deal with any further developments affecting the UK economy and sterling.

He was originally due to stay in Washington until Wednesday to deliver speeches to the IMF and World Bank annual meeting in his capacity as UK governor of the IMF and current president of the European Community's council of economics and finance ministers.

The change of schedule means that the chancellor – who was due in Washington late last night – will take part in today's meeting of finance ministers and central bank governors from the Group of Seven leading industrial countries and Sunday's meeting of the IMF's policy-making interim committee. The results of the French referendum on Maastricht are expected during the afternoon session of the interim committee meeting.

The G7 meeting will bring Mr Lamont together with Mr Theo Waigel, German finance minister, and Mr Helmut Schlesinger, Bundesbank president, for the first time since the two countries became embroiled in a bitter row over responsibility for the currency turmoil of the past week.

It is likely that the chancellor will again express concern about the present state of German economic and monetary policy. In an interview on BBC radio yesterday, Mr Lamont said he wanted "to be satisfied that German policy, which has produced many of the tensions within the exchange rate mechanism, is actually going to have some changes and to be able to operate within a more stable environment".

UK Treasury officials say Mr Lamont remains especially concerned about Germany's policy mix, where large budget deficits are helping to keep interest rates at high levels.

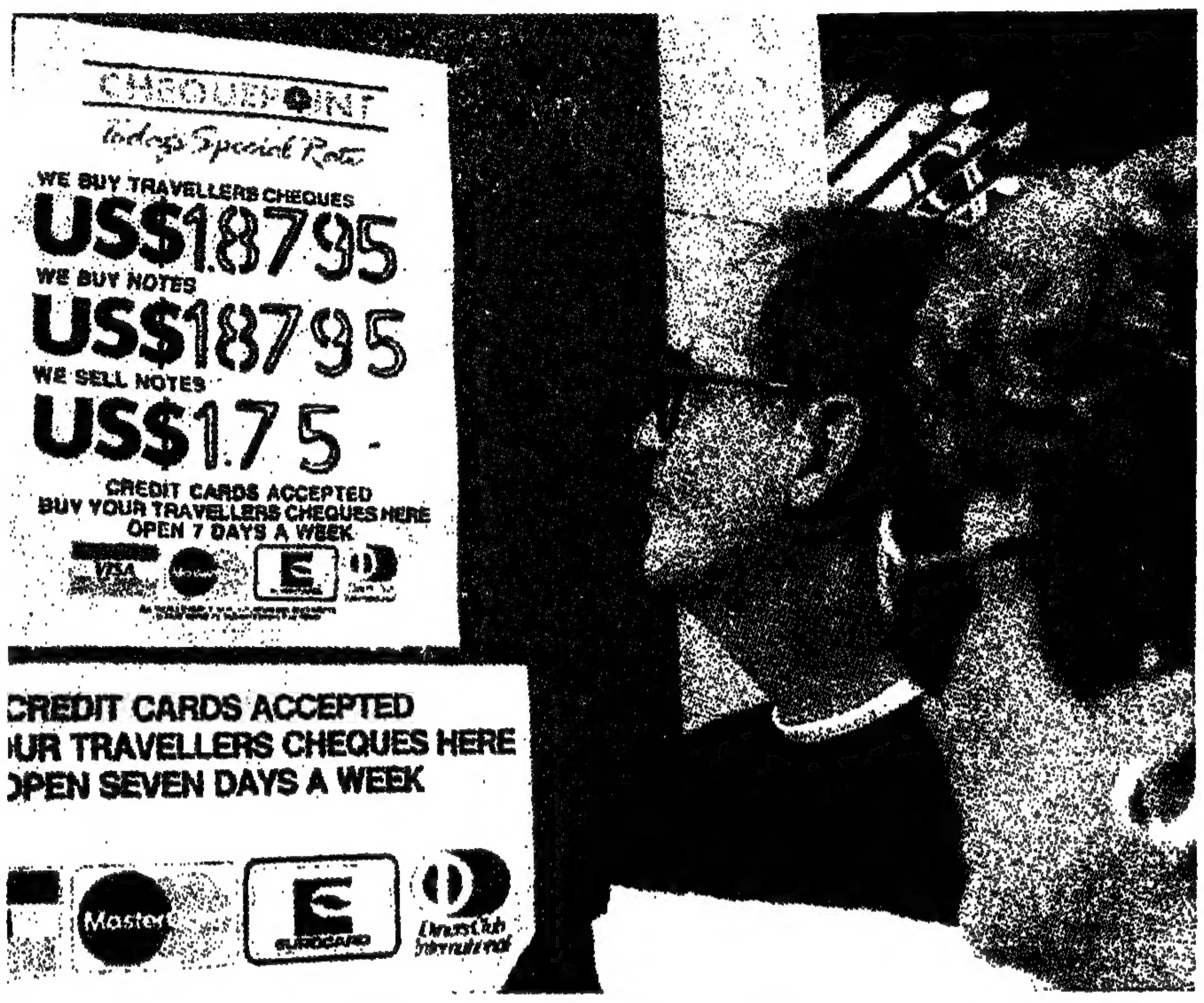
At the Bath meeting of EC economics and finance ministers two weeks ago, the chancellor singled out the large-scale granting by Germany of subsidised credits to eastern Germany as an issue to be tackled by the Bonn government.

He was also critical of the Bundesbank's policy of targeting M3, the broad money aggregate. Britain has argued that Germany's high interest rates are part of the difficulty of German M3 expanding at a rate far higher than the official target range of 3.5 per cent to 5.5 per cent.

The British view, endorsed this week by the IMF in its World Economic Outlook report, is that Germany's high rates are contributing to M3's higher-than-targeted growth by causing investors to switch long-term funds into short-term bank deposits.

The chancellor has also been concerned about the rapid growth of "off budget" spending by the German public sector. The UK says that Germany's public-sector accounting practices give a flattering picture of the deficit because borrowing by bodies such as the Federal Post Office or the Treuhand agency in eastern Germany do not count as part of Germany's public-sector borrowing requirement.

The Bath meeting saw the first serious outbreak of tension between Mr Lamont and Mr Schlesinger. It has been reported that Mr Waigel had to persuade Mr Schlesinger not to walk out after Mr Lamont demanded an immediate cut in German interest rates.



US tourists study the exchange rates offered by one London dealer yesterday. The dollar closed in London at $1.74 against the pound

Cold comfort in Midlands for Tories

By Paul Cheeseright, Midlands Correspondent

IF MR Norman Lamont had bought his lunchtime sandwiches at Five Ways, Birmingham, yesterday he would have found the reception as grey as the drizzle. No arm round the shoulders and "Nice one, Norm." Rather a mix of anxiety, anger, bewilderment and indifference as worries about the future surfaced.

"I'm just sitting and waiting to see if my husband's still got a job," said Mrs Yvonne Turk, a teacher. "Interest rates are finishing the firm off. If interest rates go down, that's okay."

Concern among shoppers was not so much with the technical merits of the European exchange rate mechanism – which many confessed they knew little about – but with how the government handled the currency crisis and what it means for the economy.

Miss Karen McAuley, who works for a finance house, argued that "it's not done us any good going into the exchange rate mechanism – but I don't understand a lot of it" – but she was more concerned about the prospects of buying a house. "A lot of people are wondering whether they've done the right thing by voting the Conservatives in," she said.

Mr Neil Halliday, an accountant, considered that the events this week were "a disaster from start to finish". He added: "It was a waste of time and money to hold sterling's value. The decisions [to float the currency] should have been made far sooner. The government has certainly not covered itself in glory."

His view was widely shared. "Total mismanagement. Absolute shambles," complained Mr Roger Baker, a Conservative-voting computer-services executive. Mr Ken Cameron, a computer installation engineer, said: "I'd felt for some time the pound would get devalued. It was inevitable. The government actions were very amateurish."

There seemed to be little inclination to pin the responsibility for sterling's plight on perfidious Europeans. "This country needs to be in the front line of Europe," said Mr Osei Nana, an acoustic consultant. But there were mistakes in the past, he said. "We should have devalued the pound a long time ago. If we had done there wouldn't have been a crisis."

Mr Cameron said: "I don't think the Germans can be blamed for it." The UK government was "stuck in a train of thought which is out of touch with reality". Mr Cameron was quite clear that there was "too much dogma". But Mr Baker had a word of warning about Europe. "We should have closer ties, but on the trading side," he said. "This getting closer politically: you've only got to see what's happening in east Europe. Everybody wants to go their own way."

Miss Lee Shue, a civil servant, thought "we should be with Europe, but it doesn't make any difference". She added: "The Tories don't know what they're doing anyway."

Such implied lack of power over the great affairs of state led Five Ways shoppers generally to shrug their shoulders at the thought of government resignations. And it led to expressions of indifference on the part of two messengers, gossiping in the rain. "It don't bother me," said one of sterling's plight. His companion let loose: "Once they get in power they just change everything. It doesn't matter what you do. They're all liars."

'Inflation option' criticised

By David Owen

MR JOHN SMITH accused the government yesterday of taking "the inflationary option" in an attempt to undermine its claim that defeat of inflation remained at the core of its economic policy.

In a letter to Mr John Major, the Labour leader referred to the prime minister's statement last week that "the devaluer's option" would be "a betrayal of our future." He said: "Since then you have allowed the pound to be devalued by 10 per cent."

In spite of yesterday's statement by Mr Norman Lamont, the chancellor, that reducing inflation was still the government's overriding priority, "you have taken what you yourself described as the inflationary option", Mr Smith said.

"For two years you have been telling the British people that all of the pain they have suffered from the recession – soaring unemployment, bankruptcies and high interest rates – was solely designed to achieve the the 'great prize' of zero inflation."

Mr Smith said Mr Major had remained "totally silent" since the "catastrophic economic events" of Wednesday.

"Yesterday, you told your cabinet that the chancellor should not be seen as an air-raid shelter," he said. "That is exactly how you have used him during the last 48 hours."

The letter follows Labour claims that the government squandered £500m of public money as part of the failed attempt to prop up the pound.

Ms Harriet Harman, shadow chief secretary to the Treasury, said that that money could have created 50,000 Youth Training places, as well as 10,000 more offers of Enterprise Allowance and set up a temporary programme creating 150,000 jobs.

Leftwingers called on Labour to drop its policy of opposition to a referendum on the Maastricht treaty and grab the opportunity to defeat the government in the Commons.

Mr Tony Benn said: "Labour has been told for 13 years that whatever we do we must defeat the government. Here is an opportunity to defeat the government."

Labour faced intense pressure from within its own ranks for a referendum, he said.

Housing market holds its breath

By Andrew Taylor, Construction Correspondent

AT 9 o'clock on Wednesday morning Abbey National launched a 10.5 per cent fixed-rate mortgage scheme offering to freeze payments until the end of the century. Six hours later the offer was sold out and closed.

All the funds allocated for the scheme were used up in six hours, according to Abbey National. News of the offer shot round by word of mouth. People who waited for letters to arrive the following morning missed out – or did they?

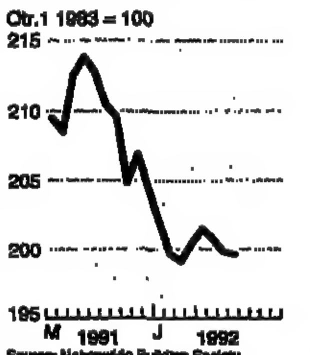
Customers who signed up for the Abbey offer, which must have looked a snip when base rates appeared set to rise to 15 per cent on Thursday, must now be wondering if they have got such a good deal.

Mortgage lenders, instead of putting up rates, are now saying that they might even come down by 1 or 2 percentage points by Christmas. It has been that kind of week for home owners – from despair, to relief, to hope, in less than two days.

People who rang estate agents on Wednesday to pull out of a house purchase will this weekend be reconsidering whether to reopen the deal, try to renegotiate a lower price, start renting, or give up altogether and emigrate.

Unfortunately, there is no clear answer to the conundrum. That will depend on which economic policies the government adopts in the wake of sterling's withdrawal from the exchange rate mechanism.

UK house price index



Source: Nationwide Building Society

There is no question what those who make their living from buying and selling houses want the chancellor to do: cut interest rates and then cut them again.

Mr David Holliday, president of the House Builders Federation, says: "The needs of the domestic economy must now be put first, and that means further reductions in interest rates from 10 per cent to 8 per cent or less."

Most builders, estate agents and, no doubt, many home-owners would be prepared to pay the price of higher inflation in return for letting sterling float and getting lower interest rates.

The worst scenario for them will be if the government, in its pursuit of lower inflation, continues to maintain high real interest rates while letting the pound float. House prices and sales would continue to drift and recovery would be delayed for even longer.

The market, meanwhile, remains flat on its back. Builders say that sales in September, even before this week's currency crisis, had been desperate.

ECC, the world's biggest producer of china clay, this month announced a £13m provision, mostly to cover falling prices in its depressed UK house-building business. Mr Andrew Teare, its chief executive, says: "It is every bit as bad as you could imagine it to be."

The events of this week will have pushed confidence even lower. "I cannot see anybody wanting to rush out and buy a home at the moment," says Sir Brian Hill, president of the Building Employers Confederation.

He says lower interest rates will not be enough on their own to kick-start the housing market. He wants the government to end stamp duty on house sales and raise the ceiling for mortgage tax relief.

It is going to take a long time for confidence to return to the housing market, even assuming that interest rates come down. For a start, there will be a large backlog of repossessed homes to shift before the market can get anywhere near back to normality.

People will also have to be convinced that they will not lose their job in a still weak British economy before going out and buying a new home; and the shock to home owners of watching their house price fall below the value of their mortgage is likely to blight the market for some time.

House prices in southern England and East Anglia have on average fallen by between 25 per cent and 30 per cent since 1988-89. Even assuming that prices rise at an average 5 per cent a year from 1993, people who bought in the late 1980s will have to wait until next century to get their money back.

Of course, prices could rise faster if inflation was allowed to let rip again, but there is no sign that the government has abandoned its aim of reducing inflation through monetary discipline.

It is also worth remembering that the bottom of the last housing cycle was in 1981 and that it was not until the mid to late 1980s that prices really began to take off again.

All those thoughts will be crowding the minds of people vacillating this weekend over whether to complete that house purchase after all.

Whichever way the government jumps, a rise in sales is unlikely to start before next year. Even then, volumes will have to increase substantially before prices start recovering. History may show that the housing recovery began with Britain's withdrawal from the ERM, but it is going to be a very long haul back.

Home agents say more cuts needed

By Richard Evans, Chris Tighe and Jimmy Burns

ESTATE AGENTS, battered by the impact of the recession and stagnant house sales, are praying that interest rates will come down in the near future to boost the housing market.

Some were reporting an upsurge in telephone inquiries yesterday as potential clients reacted with cautious optimism to the latest market developments.

Mr Richard à Brassard of south London agents Courtenay said he welcomed the prospect of higher inflation as a result of a weakening pound. "The house market will not get going unless there is inflation. The idea that you can go on having low inflation at the cost of stagnation is crazy."

Estate agents fear that without still lower interest rates, potential buyers will still be unwilling to complete a deal.

In the south-west, where property values are down by an average of 35 per cent on their peak levels of four years ago, properties are selling, "but only if people accept it's 1992 and not 1988", said Mr Ian Fraser of Fulfords, an estate chain with 22 offices throughout the region.

"As long as people are prepared to accept a reasonable price, there is every chance a property can be sold reasonably quickly," he said.

On Tyneside, noted for its resilience in the face of long-standing high unemployment and restructuring of the local economy, the events of the week had little impact.

Mr Stan Morville, managing partner of Dollery Waller, a north-east agency, said there had been a "30-minute reaction" to Wednesday's turmoil. Within half an hour of the proposed increase in the base rate to 15 per cent, a couple of potential buyers had rung to say they would not proceed. The next day they phoned back to say they had changed their minds again.

"Whatever mortgage rates are, they always reach a level of public acceptability," he said. "There are always those who have a need to move and they get out and get on with it. Until this week's cock-up, we were getting back there."

In the London area, which has seen the heaviest fall from peak prices, every technique is being used by estate agents to try to get the market moving, but it is lower interest rates that would be most effective.

Ms Annie Allan of a Folkard & Hayward branch in south London, said: "The vendor has become worldly wise and is prepared to wait . . . people are waiting to see how much further the market is going to fall."

Theory of bond investment culture comes unstuck

John Plender on how the ERM crisis has dented a fashionable economic viewpoint

IN THE period between Britain's entry into the exchange rate mechanism in October 1990 and the negotiation of the Maastricht treaty late last year, it became fashionable to talk about the development of a "bond culture" in Britain.

With the country beginning to import lower German-style rates of inflation via the ERM, it was suggested the relative attractions of equities would decline *vis à vis* gilts; fixed-interest securities would become much more attractive in a world that harked back to the more stable price conditions of the 19th century.

It was always a contentious thesis and after the events of this week it scarcely looks tenable. Within the ERM the Bundesbank provides the nearest alternative in the modern world to the gold standard on which the 19th century operated. Britain's exit from the ERM demonstrates, among other things, how hard it is to recreate the kind of climate in which currencies do not lose half their value in the space of a mere decade or two.

The problem was neatly encapsulated in BZW's latest Exchange Rate Monitor, which pointed out that since Britain came off the gold standard in 1914, only one government has left office with sterling at a higher level than at the outset. The government in question was the Conservative administration in which Winston Churchill returned to gold at the pre-First World War parity of $4.48.

The depression followed. And that, of course, was the way stable prices came about in the 19th century. If Mr Major and Mr Lamont had been born 100 years earlier and had presided over a comparable crisis, they would have seen runs on the banks, with interest rates soaring to unconscionable levels. The dénouement would have been accompanied by falling prices, as a shellshocked populace retreated into the prudent financial behaviour that invariably precipitates deflation.

Britain today could, like Sweden, have tried to shore up sterling by resorting to further intervention, 500 per cent overnight interest rates and the rest. But the financial system today is less able to take the strain. Indeed, its whole structure is predicated on a bail-out in such circumstances.

A 19th-century banker operated on a ratio of capital to deposits that sometimes went as high as 40 or 50 per cent. Modern ratios of 8 per cent-plus in effect presuppose the existence of a lender of last resort. So, too, does the growing dependence of building societies on wholesale deposits. With more than half their net inflow of funds coming from the wholesale markets, building societies would not have survived a serious attempt to defend the pound for long.

The miracle is that the Bundesbank managed to establish such anti-inflationary credibility in a world without a link to gold. But then, it is easy to forget how long it took for the German central bank to acquire that reputation. Even when a central bank has succeeded in winning credibility, it may still take an extraordinary time for the portfolio shift into bonds to run its course.

In a British context, with more than two thirds of equities in institutional hands, a full shift to a bond-dominated investment culture would probably not have come until the occupational pensions system went back to denominating its contractual liabilities in nominal terms.

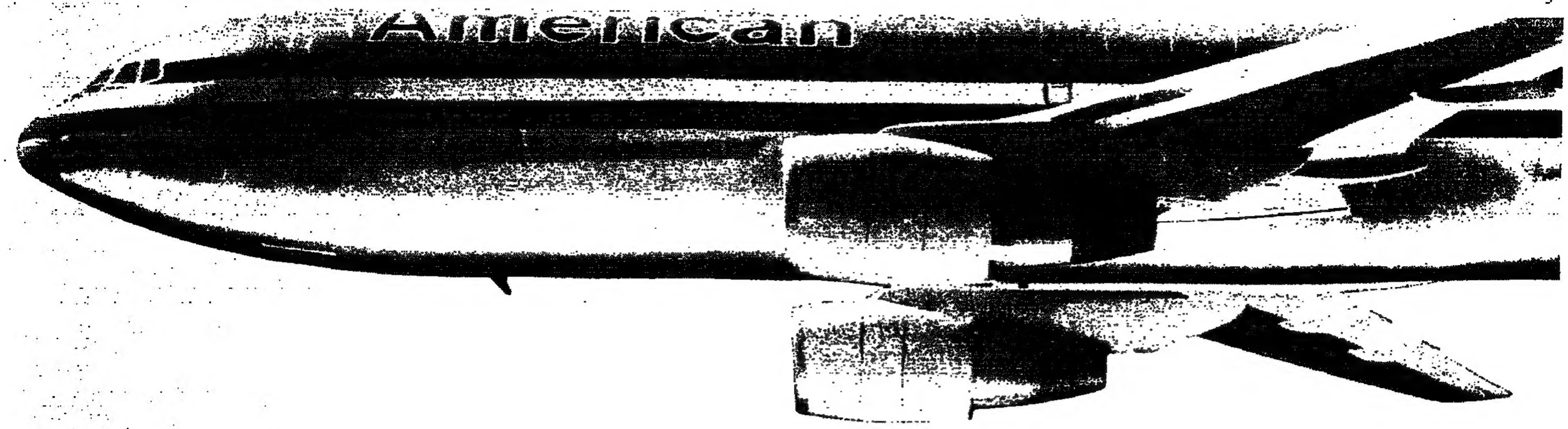
With sterling floating, the immediate case for bonds can only be made on conventional grounds. Many brokers are raising their forecast for retail price inflation from 3 per cent next year to 4½ or even 5 per cent after this week's events. On that basis, long gilts are no bargain, although the short end of the market will clearly benefit if the government encourages rates to come down thicker and faster than now anticipated.

The government is rightly perceived to have suffered a humiliating defeat this week. Yet in the long run the real losers from the ERM debacle may, paradoxically, turn out to be Germany and the Bundesbank.

The recent turmoil in currency markets reflects the German failure to manage the fiscal consequences of unification. As Mr Brian Reading of Lombard Street Research points out, the whole resource cost of German unification has been borne by foreigners through the deterioration in the German current account.

In the end, the share of west German real disposable incomes in national income will have to be cut to foot the unification bill. The strength of the D-Mark has merely deferred the problem. It follows that the D-Mark, like the dollar in comparable circumstances in the mid 1980s, will weaken in due course.

If a hard core of the ERM survives, the D-Mark and the credibility of the Bundesbank might sustain a damaging blow. Whether it is sufficient to test the German bond culture remains to be seen.



American to the Americas.

If you're heading to the Americas on business, American Airlines has all the right connections.

Only American flies from 5 UK airports.

Only one airline is big enough to offer you transatlantic service from 5 UK airports: American Airlines.

In fact, only American flies from all 3 major London airports: Gatwick, Heathrow and Stansted, plus Manchester and Glasgow.

With American, you get the widest choice of airports. So you can choose the one that suits you best.

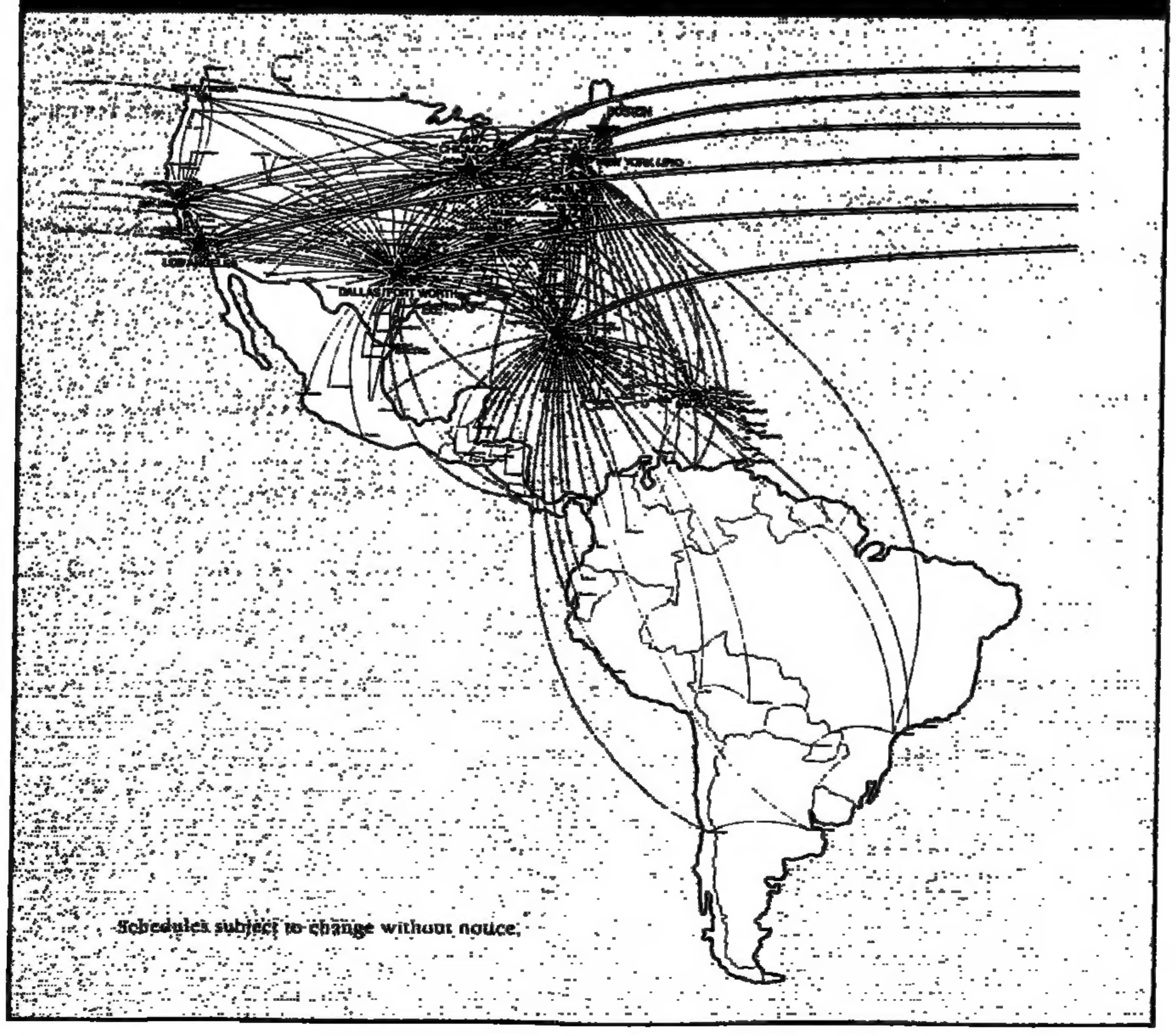
Fly from your choice of Heathrow, Gatwick, Stansted, Manchester or Glasgow.

From the UK, American offers you 15 non-stop flights daily.

Including 9 flights from Heathrow to New York, Chicago, Boston, Los Angeles and Miami.

Two flights daily from Gatwick to Dallas/Fort Worth.

From the UK, no other airline offers you more flights to more cities in North America, Central America, South America and the Caribbean than American Airlines.



The only daily non-stop service from Stansted to Chicago.

Daily non-stop service from Manchester to both Chicago and New York.

And exclusive daily non-stop service from Glasgow to Chicago.

All with fast, convenient connections to over 300 cities worldwide.

Fly to over 300 cities without changing airlines.

From the UK, you can fly American to over 240 cities throughout the US.

Plus over 60 more in Canada, Mexico, the Caribbean, the Bahamas and Central and South America.

Miami is the gateway to all of Latin America, plus Mexico, the Bahamas and the Caribbean.

From Miami, American offers you more flights to more cities throughout the Americas than any other airline.

Fly American to the Americas.

For reservations, call your Travel Agent. Or call American Airlines on 0800 010151.

AmericanAirlines®

Something special in the air.®

■ Industry and investors optimistic ■ Jaguar seeks cut in interest rates ■ CBI reports expectations on prices 'subdued'

Forecasters vary on economic options

By Edward Balls

ECONOMIC forecasters have taken a beating in the past two years. But, set against the appalling record of the Treasury model, the credibility of the City pundits does not look so bad.

The FT asked three leading City forecasters to outline the possible economic consequences of alternative routes that the government might be tempted to take. The results should be interpreted with care.

The two alternative courses, which Treasury ministers and civil servants will probably be pondering this weekend, are:

● Stay on course. Sterling rejoins the exchange rate mechanism after the French referendum at a new central rate of DM2.65. That means the pound has been devalued by 10 per cent, but interest rates remain at 10 per cent and fall only in line with the forecasters' expectations for German interest rates.

● Go for growth. The government does not rejoin the ERM but instead cuts base rates to 7 per cent in the last quarter of this year. Sterling falls to DM2.40, a devaluation of 19 per cent, and then hovers around that level over the next two years. Two of our forecasters assume that interest rates remain at 7 per cent, but Mr Keith Skeoch found the scenario too unbelievable and forecast a rise in base rates back to 9.7 per cent next year and 12.7 per cent in 1994.

The three pundits, as is natural, disagree more than they agree about the consequences of the two approaches.

First the common ground. In each case, lower interest rates means higher growth next year, with manufacturing benefiting more than the whole economy because of the larger sterling devaluation. But the cost of the strategy is higher inflation in 1994 than in 1993.

There the similarities end.

Inflation explodes outside the ERM in the economic models of Mr Kevin Gardiner and Mr Skeoch. Higher imports mean that the devaluation makes little difference to the current-account deficit in Mr Gardiner's model. But under Mr Skeoch's assumptions, inflation and the current account rise so much that the government is forced to raise interest rates to protect the pound.

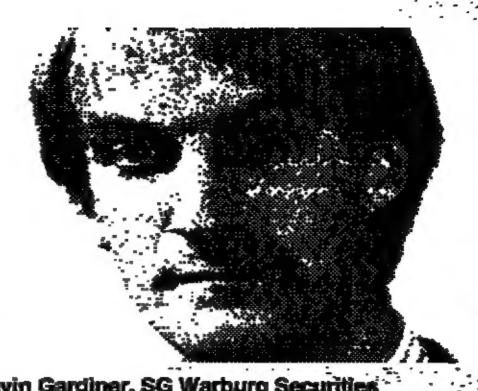
Mr Bill Martin, long an opponent of ERM membership, is much less worried about the inflationary threat from the devaluation.

Depressed consumer and business sentiment mean only a modest recovery in GDP growth under either strategy in 1993. The larger devaluation delivers a lower current-account deficit but also marginally lower inflation in 1993.

Where next for the UK economy?

Keith Skeoch, James Capel

Bill Martin, UBS Phillips and Drew



Kevin Gardiner, SG Warburg Securities

OPTION ONE: STAY ON COURSE ● Rejoin ERM ● 10% Base rates ● 10% Devaluation (DM 2.65)

Annual % change	1993	1994	Annual % change	1993	1994	Annual % change	1993	1994
GDP	1.3	3.2	GDP	0	1.7	GDP	2.1	2.8
Inflation, RPI Q4	2.7	2.4	Inflation, RPI Q4	3.0	3.2	Inflation, RPI Q4	4.0	4.9
Manufacturing output	1.1	1.7	Manufacturing output	1.3	2.6	Manufacturing output	2.9	3.8
Current account, % of GDP	-1.6	-2.3	Current account, % of GDP	-2.7	-2.5	Current account, % of GDP	-2.2	-2.3

OPTION TWO: GO FOR GROWTH ● Stay out of ERM ● 7% Base rates ● 19% Devaluation (DM 2.40)

Annual % change	1993	1994	Annual % change	1993	1994	Annual % change	1993	1994
GDP	2.0	1.9	GDP	0.9	3.3	GDP	4.2	4.4
Inflation, RPI Q4	3.6	7.9	Inflation, RPI Q4	2.3	3.1	Inflation, RPI Q4	5.5	6.8
Manufacturing output	2.5	0.6	Manufacturing output	2.4	4.1	Manufacturing output	6.4	6.7
Current account, % of GDP	-2.0	-2.7	Current account, % of GDP	-2.8	-2.4	Current account, % of GDP	-2.1	-2.2

Big upheaval raises hopes in industry

By Tony Jackson, Industrial Editor

THE extraordinary upheaval in the UK government's economic policy has left British industrialists in a slight dilemma.

A week ago, they were broadly united in their public support for the principles of strong sterling and tight money. Never mind the damage to their profits and balance sheets: the principle of defeating inflation had to be upheld.

They have now been suddenly presented with the traditional British answer to their problems: a devalued currency. It is likely they have difficulty containing their relief, whatever they say in public.

Investors agree, judging by the surge in the stock market since devaluation was announced. The hope is that UK industry might enjoy a re-run of what happened a decade ago, when a period of excessive monetary discipline in the early years of the first Thatcher administration was followed by devaluation and plummeting interest rates.

It is worth recalling a few statistics. In early 1981, base rates stood at 17 per cent and sterling stood at $2.44 and DM5.06. Within two years, sterling fell by 40 per cent against the dollar and 30 per cent against the D-Mark. Base rates fell to 10.5 per cent. Industry's profits doubled and dividends rose by 60 per cent. The 1980s boom was under way.

How far those conditions can be reproduced is debatable. In the early 1980s, many of the UK's most important trading partners were coming out of recession rather than slipping deeper into it. The UK's budget deficit was under control and the trade balance was in surplus. Perhaps most important, British industry was emerging from a traumatic but ultimately beneficial period of demanning and rationalisation.

Nevertheless, there is room for optimism. Mr Richard Freeman, chief economist at Imperial Chemical Industries, says: "There will be a surge in corporate profitability, especially for exporters. Companies will use that to rebuild their balance sheets. I wouldn't entirely agree that companies are working from a more efficient base this time round. There is still quite a lot of scope for improved productivity, which is why I expect unemployment to keep rising for quite some time."

Mr Sushil Wadhwani, an economist with the merchant bank Goldman Sachs, agrees: "There is still scope for cost-cutting. Months ago, we were asking our analysts why their earnings forecasts were so high. They told us it was because companies had all been telling them about the efficiency improvements they can still make."

Mr Sudhir Janankar, deputy director of economic affairs with the Confederation of British Industry, says: "Companies have been taking some pretty tough decisions. Corporate profits have been falling much more slowly in the past six months than in the year before. Companies have applied the lessons they learnt in the early 1980s and have been quicker to react to difficult conditions."

A more optimistic assessment again comes from Ms Ann Robinson, head of policy at the Institute of Directors: "Industry's position is far better than 10 years ago. We hadn't had the supply-side revolution then, business wasn't so well invested and we hadn't had the privatisations."

Since then, the UK industrial base may have been eroded, but what is left is very good. There are companies now that are world beaters and their profits might rise considerably. Ms Robinson said: "An excellent example is British Airways, compared with Lufthansa.

"There are a lot of problems with the service sectors, such as the banks. But banks in Britain are still a lot more efficient than they are in Germany or Italy."

Given all that, no one really expects a bounce in profits to match that of a decade ago. "It's almost inconceivable," Mr Wadhwani says.

Punt protected by exchange controls

From Tim Coone in Dublin

THE REMNANTS of foreign exchange controls in Ireland saved the the Irish pound (punt) from further pressure yesterday, burning the fingers of speculators who had forced the punt to the floor of the narrow band of the ERM on Thursday.

The punt was yesterday trading around DM2.64, comfortably above its floor rate of DM2.619, as buyers came back into the market, many seeking to cover short positions they had taken out as sellers the day before.

Mr Chris Johns, the head of research in the Bank of Ireland, said: "The market for the punt is not a deep and liquid one, as it is for sterling. It is very difficult for a speculator who is short of Irish pounds to get ready access to them."

Exchange controls have been progressively lifted in Ireland since 1988 but there are still a few restrictions, which are due to be phased out by the end of this year. They limit the freedom of banks in Ireland in lending Irish currency abroad, especially for short-term speculative purposes.

Speculators who took a short position on Thursday – who contracted to sell punts, expecting to borrow them to cover the contract and to buy back into the currency at a lower price later – found by Friday morning that there were very limited funds available to borrow.

Overnight money market lending rates for the punt shot up to more than 300 per cent in London and other European financial centres yesterday. A trader in Jersey said: "Overnight rates for the punt have gone crazy. We are not even quoting it."

Rumours of some quotes exceeding 10,000 per cent for overnight funds were widespread, although it is not thought deals were struck.

There was no need for central bank intervention to support the punt yesterday.

In confident mood, Mr Bertie Ahern, the Irish finance minister, said the recovery of the punt "demonstrates the confidence the markets have in the strong currency position of the Irish pound within the narrow band of the ERM.

"Our trade performance is an indicator of the underlying competitive strength of our economy. Our trade surplus was I£1.76bn in the first six months of 1992 and is expected to be about I£2.7bn for the year as a whole, over 10 per cent of GNP. This far exceeds the expected surpluses of countries such as Japan and contrasts favourably with the negative balance expected for the EC."

Figures published on Thursday show that inflation has fallen in Ireland to 2.8 per cent for the year to the end of August. Earlier this year, the government projected a 3.75 per cent inflation rate for 1992.

Overnight interest rates are quoted on an annualised basis. A trader at Barclays said a quoted rate of 250 per cent was equivalent to 1.5 per cent payable in interest after 24 hours.

Balloon expenses inflated

A DELAY in the start of a transatlantic balloon race increased its cost by $10,000 because of the sterling crisis, Mr Alan Noble, the race director, said.

Five teams took off from Maine in the US on Wednesday after he used his credit card to pay a $50,000 bill for facilities during a one-month wait for improved weather.

As the balloonists floated over the Atlantic, sterling fell and Mr Noble expects his bill to be higher.

A race official in Rotterdam said the British were fourth behind the Dutch, Belgians and Americans. The Germans trailed.

Shareholders against ERM

MORE THAN six out of 10 private shareholders believe Britain should stay out of the exchange rate mechanism, according to a poll of users of Sharelink, the Birmingham-based telephone share dealing service, yesterday.

The company asked its first 1,000 clients if they agreed with abandoning the ERM – 638 said yes, 188 wanted to return and the rest did not know.

Moves on crime 'face handicap'

EFFORTS TO tackle organised crime in Europe may suffer if the Maastricht treaty falls apart, Mr Kenneth Clarke, the Home Secretary, said yesterday. He had attended a meeting of interior and justice ministers in Brussels prompted by the Mafia murders of two senior judges in Sicily.

Little upturn indicated

By Peter Marsh, Economics Staff

THE economy continues to be stuck in recession, according to the latest figures on the money supply released yesterday by the Bank of England.

M0, which mostly comprises notes and coins in circulation, increased by 2.4 per cent in the year to the end of August, the same figure as for the 12 months to July 31. M4, a broader measure, which also takes in bank and building society deposits, rose 5.5 per cent in the year to August 30, after 5.7 per cent in the year to the end of the previous month.

The seasonally adjusted figures indicate little upturn from the economic decline that began about two years ago.

Lending in sterling by banks and building societies to the private sector rose £2.3bn last month, less than the figure of about £2.9bn expected in the City.

The picture of a flat economy fitted in with figures from the British Bankers Association, which said the big commercial banks lent a seasonally adjusted £700m last month, the smallest figure for five months.

A breakdown which is not seasonally adjusted shows that loans to individuals, mainly for mortgages, rose in the month by £1bn.

That, however, was more than offset by repayments by companies, particularly manufacturers. Overall, individuals and companies repaid a net £211m to big banks, on a non-seasonally adjusted basis.

Much of the extra lending to people was linked to the extra demand for mortgages caused by the stamp duty holiday that ended on August 19.

The association said: "In the continued absence of company borrowing, the recent recovery in [seasonally adjusted] bank lending is likely to come to an end."

Order books still down, CBI says

By Emma Tucker, Economics Staff

BRITISH manufacturers' order books remain well below normal and expectations of price rises are more subdued than at any time since 1959, the Confederation of British Industry said yesterday.

In its latest survey of industrial trends, carried out shortly before the recent turbulence on the financial markets, three out of five companies questioned said their total order books were below normal.

Manufacturers, surveyed between the end of August and mid September, said they expected output to continue falling during the next four months. Those expectations are likely to have changed since Britain's departure from the European exchange rate mechanism heralded the prospect of lower interest rates.

Export order books are broadly steady, but 44 per cent of companies said they were too low and only 11 per cent said they were above normal. Demand for exports showed no improvement, but was not as weak as in July.

According to the CBI, manufacturers' hopes of increasing prices were at their weakest for 33 years. Only 8 per cent of the 1,439 businesses in 50 industries said they expected to raise average prices for domestic orders in the next four months. Stocks of finished goods have risen to levels that are thought to be too high in relation to expected demand.

Mr Robin Cook, shadow trade and industry spokesman, said: "What businesses now need to hear is a government willing to say that it will take all measures necessary to get the economy on the road to real recovery."

Rate plea as 120 Jaguar jobs go

By John Griffiths

A FURTHER 120 jobs are to be cut by Jaguar, Ford's luxury car division, on top of 700 announced last month.

The intended cuts were disclosed yesterday by Mr Nick Scheele, Jaguar's chairman and chief executive, who also called for further interest rate reductions to stimulate the UK economy.

Mr Scheele said: "The current rate is still too high." He forecast that Jaguar's total sales this year would be unchanged at about 25,000 units.

Sales in the first half of this year declined further from year-ago levels, to 11,900 from 12,900, but Mr Scheele said he expected a minor strengthening, partly due to sterling's effective devaluation.

Only Jaguar's salaried staff will be affected by the latest cuts. They will bring Jaguar's total employment down to just over 7,100, compared with 12,100 in 1990 and slightly more than 8,000 at the end of last year.

Last month's reductions mainly affected production workers, as Jaguar trimmed output plans to make only 23,000 cars this year, compared with an earlier forecast for the year of 27,000.

The new figure is less than half the output level of the late 1980s.

● Renault Truck Industries, the French vehicle group's loss-making UK commercial vehicles subsidiary, announced that it was cutting 35 of the remaining 517 jobs at its manufacturing plant in Dunstable, Bedfordshire. The company blamed the severely depressed state of the UK truck market for the job losses, most of which are expected to be compulsory.

The rising threat to return to growth

Emma Tucker explains why the jobless present an obstacle to an economic recovery

A SUSTAINED recovery in growth as a result of Britain's departure from the European exchange rate mechanism might be severely hampered by the growing pool of unemployed left in the wake of the government's tight monetary policy.

Figures this week showed that unemployment in the UK has grown to 2.8m, its highest level for five years, and most economists expect it to carry on rising next year even if interest rates creep downwards.

The Treasury's economic model suggests that a 10 per cent devaluation of the pound, with no change in interest rates, would reduce unemployment by 204,000 over two years. Economists are sceptical.

Ms Ruth Lea, an economist at Mitsubishi Bank, said: "The immediate outlook for unemployment is not very good. It tends to be a lagging indicator anyway and I don't expect to see a rapid turnaround."

The extent of damage already inflicted on the jobs market in the UK was highlighted this week in a survey carried out by the Department of Employment in the spring.

The Labour Force Survey, quarterly results of which were published for the first time this week, gives a more comprehensive measure of economic activity than the monthly figures published by the department, which simply record the number of people claiming benefit.

The latest LFS involved more than 60,000 households across Britain, and covered about 150,000 people. In addition to the so-called "claimant count" unemployment measure, the LFS covers many groups that do not qualify for benefits, such as women returning to the labour market after raising a family, the self-employed and young people aged 16 and 17 who do not have places on Youth Training schemes and are actively seeking work.

The survey throws light on those sectors of the economy which have suffered the most damaging losses in the past year.

Contrary to the impression that this recession has been concentrated in the service sector, it shows that every sector of the economy has recorded a bigger percentage fall in employment than the services sector.

The numbers of people employed in services was only 0.9 per cent lower in spring this year than in spring last year. That compares with a 9.2 per cent fall in construction and a 9 per cent fall in energy and water supply. Employment in manufacturing fell 5 per cent. The biggest fall was in agriculture, forestry and fishing, where the number employed fell 10.5 per cent.

Furthermore, a breakdown of how different occupations have weathered the recession shows that while non-service sector occupations have suffered damaging losses, the number employed as managers and administrators has risen since last year, as has employment in professional occupations such as solicitors, businessmen and doctors.

The number of craft workers either self-employed or working as employees fell 10.6 per cent, the sharpest fall out of nine groups of occupations. The numbers working as plant and machine operators fell more than 8 per cent.

The only other group of occupations where employment rose was in personal and protective services, which covers the armed forces, catering, nursing and childcare.

This pattern of unemployment – among unskilled workers and often in manufacturing industry – is very similar to that created in the last recession. Unemployment rates are much higher for men than for women and among unskilled and poorly educated workers.

In the 1980s, when the rate of unemployment reached 11 per cent, the jobless total continued to rise until 1986, more than four years after the economy emerged from recession.

The debilitating effects of long-term unemployment on the skills and motivation of those workers meant that unemployment stayed high even after the recovery gained pace.

Furthermore, the shortage encouraged skilled workers to force up their wage demands with an inflationary effect on the economy.

Whether unemployment starts to fall in two years or four years, the high levels of skill shortages created by prolonged unemployment may well hinder the recovery once more.

Mr Gerard Lyons, chief economist at DKB International, the Japanese bank, said: "We have invested too little in capacity and too little in people. Skills shortages are going to be a problem that constrains growth for some time."

Clinton, me and a question of draft-dodging

Amid the controversy over the Democratic candidate and the Vietnam war, US Editor **Jurek Martin** recalls his own experiences

BILL Clinton was not the only young man in Britain at the end of the 1960s contemplating the prospect of military service and, worst of all, fighting in the Vietnam war. At least one was not even an American citizen.

One Saturday morning in the autumn of 1968 a letter, with a California postmark, was delivered to a south London address. It summarily instructed the recipient to report for induction into the US Army at Fort Ord at a date which, on close inspection, turned out to be three weeks before the letter actually arrived.

This was distressing, because the recipient had recently been told by his employer that he was about to be posted to its Washington office. The prospect of having to withdraw from what was then, and still is, one of the best jobs in journalism, led to a miserable weekend.

The Monday mail brought miraculous relief, another letter with a California postmark one day later than the first. It acknowledged a "clerical error" and confirmed that the recipient was indeed "an alien not currently liable for military service". Both letters had been sent surface mail and had taken the best part of six weeks to arrive.

It may only be a minor part of Mr Clinton's explanations that his draft board communicated with him in Oxford by steam packet, but personal experience confirms that this is exactly what draft boards did in those days. Indeed, the controversy surrounding the Democratic presidential candidate revives a lot of half-buried memories of the fear of any communication from them.

I had gone to live, and teach, in California in 1963. Before the changes in US immigration laws in 1967, it was easy for any Briton not a card-carrying communist and without a prison record to emigrate and acquire the coveted green card. You were obliged, however, after a six-month grace period, to register with your local draft board and were liable to be called up.

Before the Vietnam war escalated, it was a small risk. In any case, educational, occupational and marriage deferments were available. Even after President Lyndon Johnson cancelled many of these in 1965, prompting a deadline-beating rush from California to the "quickie" wedding chapels in Reno, Nevada, many of whom mysteriously stopped the clock in their records, there were always pullable strings with the local draft board.

I was teaching at a new private school and was technically not qualified for an occupational deferment. But the school principal, who had served 30 years in the US Marines, was an intimate of my rural draft board and if he could not fix things the school owner, a big rancher, certainly could. It was common knowledge that the only young men that draft board did send to serve – the lottery was not introduced until 1969 – were the offspring of parents without clout, such as resident Mexican farm labourers.

It became more complicated after I left the school, and thus its protection, but stayed on doing other things in California. I was reclassified 1-A, a prime candidate for the draft. I appealed against this, in writing, a process which took some months, but was unsuccessful.

Continued dissembling and prevarication with the draft board was possible, but the net was obviously closing and so was the fear that the bureaucracy would make connections. A tax return or a traffic violation, for example, might serve as a tip to a draft board. Another English friend in the same boat was arrested one night and left the country as soon as he was discharged the following day.

I would never claim to have been vocal against US policy in Vietnam but the thought of fighting in a war which, like most young American friends, I strongly opposed did not exactly appeal. Unlike them, I had a way out, to "go home", and duly did in 1966, advising the draft board of my London whereabouts and having my status re-classified; and that, excepting one awful weekend over two years later, was where it has all rested.

This is just one tiny personal story. Many others have long since come out of the closet, none more effectively than James Fallows's 1975 magazine article about the contrasting experiences of his class at Harvard, less than 10 per cent of whom ever served, and the fate of the less privileged children of the Boston working class, who did, in droves.

The point is that there is a whole generation of Americans to whom, for good reasons and bad, avoiding a system which had become institutionally corrupt was the most important thing in their young lives. Thousands went so far as to go into exile.

The lottery did not render it pure again because there were still ways round it. Bill Clinton set out his reasons for seeking to avoid it in a 1969 letter that was painfully honest in its reasoning and remarkably frank in its confession that, even then, he was only registering because he harboured political ambitions.

Is this the fatal flaw which will deny him the White House? The Bush campaign cleverly contends that it is not what he did then which is at issue, though it surely is a subtext, but how he recalls it, selectively, now.

A more revealing comment this week from a Republican official was the promise to "rip the skin off the guy".

Picking holes in his explanations of the events of 23 years ago seemed this week the biggest shot left in the president's re-election armoury and, in such a personalised political environment, it may still pack firepower.

If so, then Dan Quayle, Dick Cheney and Phil Gramm, three Republicans with presidential ambitions but no military service, may wonder if they, too, will one day fall victim to the Vietnam syndrome.

But it stretches credulity that it will make enough of a difference. Today's war is not Vietnam but the economy. If it were the other way round, the above true story would probably never have been told.

Russia 'needs up to $20bn' of external finance

By Leyla Boulton in Moscow

RUSSIA will need $15bn-$20bn in external financing next year to bridge its balance-of-payments gap even after a "reasonable" foreign debt rescheduling, Mr Peter Aven, the foreign economic relations minister, said yesterday.

Mr Aven and his colleagues will make the first detailed presentation of "four or five scenarios" for a rescheduling of the former Soviet Union's $70bn (£39.5bn) foreign debt to the Group of Seven industrial nations in Washington over the next few days.

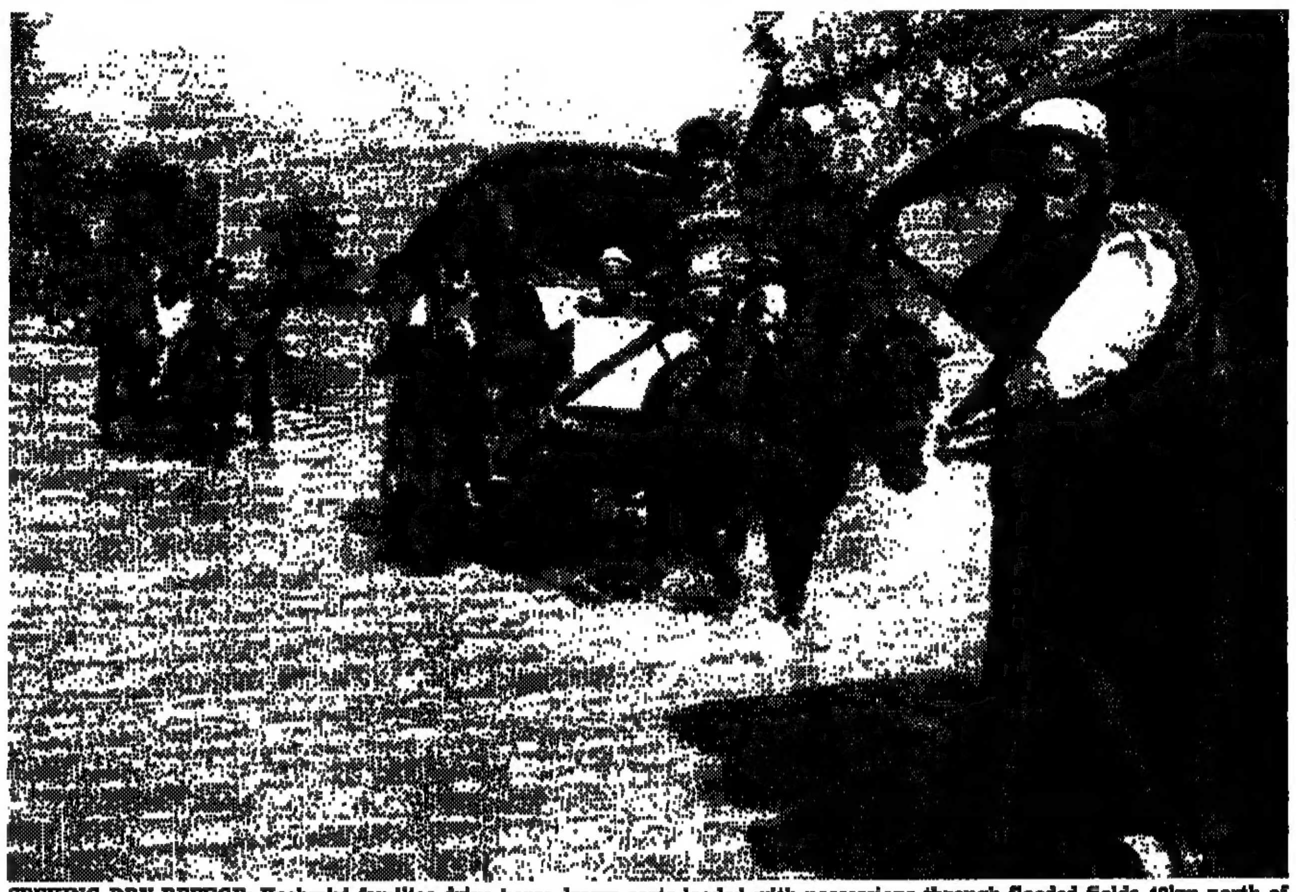
He said the various proposals had one common goal: to ease the debt burden so that Russia would only have to pay about $2.5bn-$3bn next year instead of the $20bn falling due in 1993. But even if that was agreed, Russia would still need additional balance-of-payments support while it pursued painful market reforms.

He rejected a claim by the International Finance Institute, a Washington-based banking lobby, that Russia was capable of repaying more money if it put its house in order.

Although he has himself estimated annual capital flight from Russia at $3bn, Mr Aven said "only Hitler or Stalin" could stop such phenomena quickly.

If a rescheduling accord is not ready for final endorsement by the wider Paris Club of creditor nations at the end of the month when a present debt deferral expires, the latter is to be extended for 15 days.

Russia is also trying to persuade other republics to renounce claims on the former Soviet Union's assets in return for which Russia will assume sole responsibility for its foreign debt. None of them can make hard currency repayments, except possibly Turkmenistan, which has gas.



SEEKING DRY REFUGE: Kashmiri families drive horse-drawn carts loaded with possessions through flooded fields 40km north of Srinagar, the Kashmiri capital, Reuter reports from Islamabad. Army boats and helicopters have helped to evacuate 3m people made homeless by the floods, which have claimed the lives of over 1,000 people.

NEWS IN BRIEF

Ecuador threatens to withdraw from Opec

ECUADOR yesterday threatened to become the first member to leave the Organisation of Petroleum Exporting Countries cartel since its founding in 1960, Neil Buckley writes from Geneva.

The second-smallest producer in Opec, it has fallen out with the organisation over its desire to raise output and increase its revenues to help pay off its $13bn (£7.3bn) debt.

Ecuador, which joined Opec in 1973, said it intended to withdraw at the cartel's next meeting in November.

Ecuador's statement was a second blow to the organisation, after Mr Gholamresa Aghazadeh, the Iranian oil minister, said Iran did not accept Opec's communiqué issued late on Thursday.

Opec's ministerial monitoring committee pledged to freeze total production at 24.2m b/d for the fourth quarter, although Kuwait was allowed to continue raising output as it rebuilt its oil industry after the Gulf war. Iran had been pressing for a cut in production, and said an opportunity had been missed to drive oil prices up to the target of $21 a barrel for the Opec basket of crudes. Mr Aghazadeh said Iran would now adjust its production according to world demand, but did not intend to disrupt the oil market by substantially raising output, as had been rumoured.

Polish PM backs minister

Ms Hanna Suchocka, the Polish prime minister, yesterday confirmed her full confidence in Mr Janusz Lewandowski, the privatisation minister, after opposition parties narrowly won a vote calling for his dimissal, writes Christopher Bobinski in Warsaw.

Opponents of Mr Lewandowski, who won by 189 votes to 174, failed to gain an absolute majority of the 460-seat lower house (Sejm) but were able to inflict the first technical defeat on the coalition government formed two months ago.

The attack was led by the right-wing nationalist KPN party, which is critical of Poland's tight money policies.

NZ central bank optimistic

The New Zealand Reserve Bank, in its most optimistic economic forecast in years, has predicted rising growth in GDP, and higher employment and exports, Terry Hall reports from Wellington. In its six-monthly forecast, the bank increased its previous estimate of growth in gross domestic product from 2.5 per cent to 3 per cent for the years ending March 1993 and March 1994 and forecast an inflation rate of 2 per cent for the year to December. Inflation would fall to 1 per cent by the end of next year. The bank said export growth was strong.

Ex-All Nippon chief guilty

Japan's Supreme Court yesterday upheld a guilty finding against a former president of All Nippon Airways in the first of a series of cases before the court relating to the Lockheed bribery scandal, which surfaced 16 years ago, Robert Thomson writes from Tokyo.

The court found that Mr Tokuji Wakasa, 77, still honorary chairman of ANA, guilty of receiving funds from Lockheed of the US in return for purchases of the company's aircraft, and for perjuring himself in the Japanese parliament.

Roh quits S Korea ruling party

South Korean President Roh Tae-woo said yesterday he would quit the ruling party, yielding to a key opposition demand that he remain neutral in elections for his successor later this year, Reuter reports from Seoul.

Mr Roh also pledged to reorganise his cabinet to try to avert a political storm over an election fraud which has severely tainted the image of his government.

Algerian rebels' conditions

The spokesman for the Algerian Islamic Salvation Front (FIS), Mr Rabah Kebir, who three weeks ago fled house arrest in Annaba and took refuge abroad, has reiterated his movement's willingness for "dialogue" with the Algerian authorities, writes Francis Ghilès. However, four conditions would have to be met.

All those arrested since the electoral process was suspended and the FIS banned last January, should be released and "arbitrary arrests" stopped. FIS municipal councillors elected in the June 1990 poll should be reinstated and all those arrested "compensated". The second round of the elections, whose first round last December 26 gave FIS candidates 48 per cent of the popular vote, must be allowed to proceed.

HK airport proposals criticised

By Simon Holberton in Hong Kong

PRO-BEIJING newspapers yesterday published strong criticism of Hong Kong's revised proposals for financing its new airport, raising doubts about whether China would agree to them.

The newspapers called the plan to raise direct government investment in the HK$163.7bn (£11.2bn) project by HK$40bn "insincere and unconstructive".

Ta Kung Pao, a communist newspaper, said the government had "ignored the principle of cost-effectiveness, spending Hong Kong taxpayers' money at its discretion on the one hand and trying to use the special administrative region government's profits in advance on the other".

Wen Wei Po, another newspaper, said: "The financial problem can only be solved when the British side comes up with a proposal that can reduce costs."

Mr Hamish Macleod, financial secretary, said he was disappointed by the reaction, but the government would wait to hear China's official response.

US, UK oppose Bosnia no-fly zone

By David White, Defence Correspondent and Frances Williams in Geneva

THE US and Britain are opposed to any immediate attempt by western nations to enforce a "no-fly" zone in Bosnia as a means of preventing air attacks by Serb forces.

Their caution over French proposals for a ban on military flights became clear during two days of talks in London with Mr Dick Cheney, US defence secretary. Mr Cheney said yesterday the idea was still being discussed but described the proposed ban as "a bit of sideshow" compared with the main problem of how to achieve a political solution in the former Yugoslavia.

Meanwhile, the United Nations and European Community peace talks on Bosnia-Hercegovina began in Geneva yesterday with the mainly Moslem Bosnian government refusing direct talks with Serb and Croat representatives and a hardline statement from the Bosnian Serb leader, Mr Radovan Karadzic, again staking Serb claims to more than half the country.

The two co-chairmen of the Geneva conference on the former Yugoslavia, Mr Cyrus Vance and Lord Owen, and the Finnish mediator on Bosnia, Mr Martti Ahtisaari, met separately with the three sides. Further meetings are scheduled for today and Monday.

Prospects brightened, however, for a resumption of relief flights into Sarajevo. Speaking before a meeting with Mrs Sadako Ogata, UN High Commissioner for Refugees, Mr Karadzic confirmed that he would support a "no fly" zone in the vicinity of the humanitarian aid corridors, though not for Bosnia as a whole.

Mrs Ogata had said earlier she would recommend an immediate restart of the Sarajevo airlift if she received satisfactory assurances from the warring factions on the safety of flights.

Mr Karadzic said that in the Bosnian talks he would be pressing for an "immediate and unconditional" ceasefire, to be *followed by negotiations to set* up a confederation of three constituent states controlled by Serbs, Croats and Moslems.

British officials said the best course would be a voluntary agreement covering military flights, backed by the UN Security Council. Such an agreement would need to be monitored by the UN, and discussions were focusing on how this might be achieved by ground-based personnel at airports.

If the agreement were breached, there might have to be further negotiations aimed at setting up "some sort of enforcement", the British officials set.

French prison crisis deepens

By Alice Rawsthorn in Paris

THE crisis in French prisons deepened yesterday when the army was sent in to a number of jails and a policeman was injured as picketing prison officers tried to stop a squad of riot police from entering Baumettes prison near Marseilles.

Tension mounted during the day after an incident early in the morning when an escaped convict from Clairvaux high-security jail was shot dead by police. The man was one of seven inmates who broke out of Clairvaux last Friday in a shoot-out during which a warder was killed.

The Clairvaux shooting sparked the strike by prison officers which has wrought chaos in the French jail system this week.

Only 60 of France's 182 prisons were operating normally yesterday, despite the government's attempts to negotiate a settlement with warders who are demanding more staff and better security.

Riot police have been installed in a number of jails.

Treaty 'could help combat crime'

EC interior and justice ministers yesterday emphasised that the Maastricht Treaty could help them beat organised crime in Europe and agreed to step up joint efforts to tackle international criminal organisations such as the Mafia, writes Andrew Hill in Brussels.

Interior ministers also agreed to meet again – possibly before their scheduled November meeting – to discuss the problem of refugees from the former Yugoslav republics, as soon as officials have completed studies of possible solutions.

The public relations value of yesterday's meeting was seized on by the French government delegation, two days ahead of the French vote on the Maastricht accord.

Fears that organised crime might spread across open EC borders has been played up by French opponents of Maastricht, but in an EC presidency statement after the meeting, ministers welcomed the impulse that the Maastricht Treaty would give to closer co-operation on police and judicial matters.

Security at the Brussels headquarters of the council of ministers was tightened up for the meeting, which was held at the request of Italian and French justice ministers following the assassinations of anti-Mafia judges Mr Giovanni Falcone and Mr Paolo Borsellino in Sicily.

The Italian delegation included Mrs Liliana Ferraro, Mr Falcone's successor as director of penal affairs at the Ministry of Justice and a possible Mafia target.

Mr Kenneth Clarke, Britain's home secretary and chairman of the meeting, conceded afterwards that intergovernmental action on immigration and police issues would continue even if the Maastricht Treaty was rejected.

Miyazawa backs use of public funds

By Robert Thomson in Tokyo

MR Kiichi Miyazawa, Japan's prime minister, yesterday insisted that public funds could be used to assist the troubled banking system, contradicting the Ministry of Finance, which says public funds will not be used.

Meanwhile, the National Tax Administration Agency announced the relaxation of rules on the writing-off of bad loans. Banks will be able to claim as a loss any loans on which payments have not been made for a year, down from two years.

Public support for ailing banks is a controversial issue, as previous suggestions that public funds would be used have prompted widespread complaints from ordinary Japanese, who argue that banks should take responsibility for their non-performing loans.

Mr Miyazawa's open support for the use of public funds contrasts sharply with the policy statements of Mr Tsutomu Hata, the finance minister, who has insisted that public funds will not be used in supporting the banking system.

The government has been reviewing tax breaks and loan disclosure regulations relating to banks, as yesterday's announcement by the tax agency shows. Mr Hata has said a more detailed disclosure of non-performing loans will help to restore confidence in the banking system.

In spite of the minister's statements, the finance ministry is studying overseas cases of support for troubled financial institutions, but ministry officals hint that a detailed public support programme will only be announced if the health of the banking system worsens in coming months.

Japanese money supply growth at low

By Charles Leadbeater in Tokyo

JAPAN'S money supply growth remained at record low levels in August, with the broad money supply expanding at an annual rate of just 0.3 per cent, according to figures published yesterday by the Bank of Japan.

Bank officials said the slight increase in the growth of M2 and certificates of deposit from the record low of 0.2 per cent in July did not mark the start of an upturn in the money supply.

The bank recently cast doubt on the usefulness of the broad money supply as a measure of credit conditions. August's low growth suggests, however, that July's half-point cut in interest rates to 3.25 per cent has barely stimulated bank lending.

Officials expect M2 growth of less than 1 per cent in the third quarter as a whole, which implies growth of less than 0.5 per cent in September. Broad liquidity, another closely-watched broad monetary indicator, which includes deposits in the postal savings system, grew at a record low of 3.3 per cent in August, down from 3.5 per cent the month before. The slow growth of money supply, which was growing at an annual rate of 2.8 per cent in August last year, will fuel speculation that the bank may have to cut interest rates further to stimulate the economy.

BBC to cut 1,250 more support jobs

By Raymond Snoddy

THE BBC is to cut 1,250 jobs from its central bureaucracy in a move that it said yesterday would save £150m over five years.

The latest job cuts follow an extensive review of all the BBC's support functions and will come in areas ranging from printing and systems development to market research and publicity.

It is the first time there have been such swingeing job losses among support staff. Most of the 1,250 jobs will go over the next 18 months. The aim is to reduce BBC overheads in advance of the full introduction of Producer Choice next April.

Under Producer Choice, BBC programme makers will have the right to buy the services they need from the outside market if it is more cost-effective.

The savings in support services are designed to ensure that internal resources are competitive with the outside market.

After a review of BBC radio resources, 17 studios will be closed and 20 outside broadcast vehicles withdrawn.

Sir Michael Checkland, director general of the BBC, said yesterday: "The two reviews continue the clear policy of making the BBC more efficient, putting more money directly into programmes and making more BBC programmes outside the south-east of England."

Mr Tony Lennon, president of Bectu, the broadcasting union, said last night: "We are shocked by the scale of this. Most of the people going are doing real jobs – these are not bureaucrats."

The union said it would force the BBC to justify every single job to be lost. Bectu added that it seemed to be a case of assistant heads rolling.

The BBC said yesterday it would be the last large tranche of job losses. The future scale of employment in the corporation would be determined by how successful staff were in competing with the market.

About £30m of the £150m in savings will be needed to meet a shortfall that resulted from the 1991 licence-fee settlement, which was set below inflation.

The cuts will bring job losses in BBC radio and television between 1986 and the end of next year to 7,000. The total reduction has, however, been 6,000 because of 1,000 jobs created by new programme developments.

At the moment, the BBC has a staff of about 23,000.

Paisley rejoins talks on Ulster

THE REV Ian Paisley, leader of Ulster's Democratic Unionists, returned to the inter-party talks in Belfast yesterday to discuss the Irish government's territorial claim over Northern Ireland.

Last night, however, it was considered unlikely that his party would participate in a historic plenary session due to take place at Dublin Castle on Monday.

Mr Paisley and Mr Peter Robinson, his deputy, withdrew from the talks last week because they felt the constitutional claim was not high enough on the strand two agenda, which deals with north-south relationships.

It is believed that the Ulster Unionist party will attend the Dublin meeting but it is unclear if Mr James Molyneaux, the party leader, will be in the delegation.

Shipyard jobs go

A FURTHER 250 workers at Cammell Laird shipyard on Merseyside are to lose their jobs, it was announced yesterday, reducing the workforce to just more than 700.

It is the latest stage in a rolling redundancy programme at the yard, which has shed 1,150 jobs since VSEL, the parent company, put the yard up for sale two years ago. It has attracted no buyers as yet.

Working projects

A TOTAL of 56 projects, creating or safeguarding 6,319 jobs with a capital expenditure of £1bn, were attracted to north-east England and Cumbria in the 1991-92 financial year, according to the Northern Development Company annual report published yesterday.

Airline offer

J. SAINSBURY, the retailer, yesterday announced a scheme with British Airways to give customers savings of up to 30 per cent on airline tickets.

Munitions site to close

By David White, Defence Correspondent

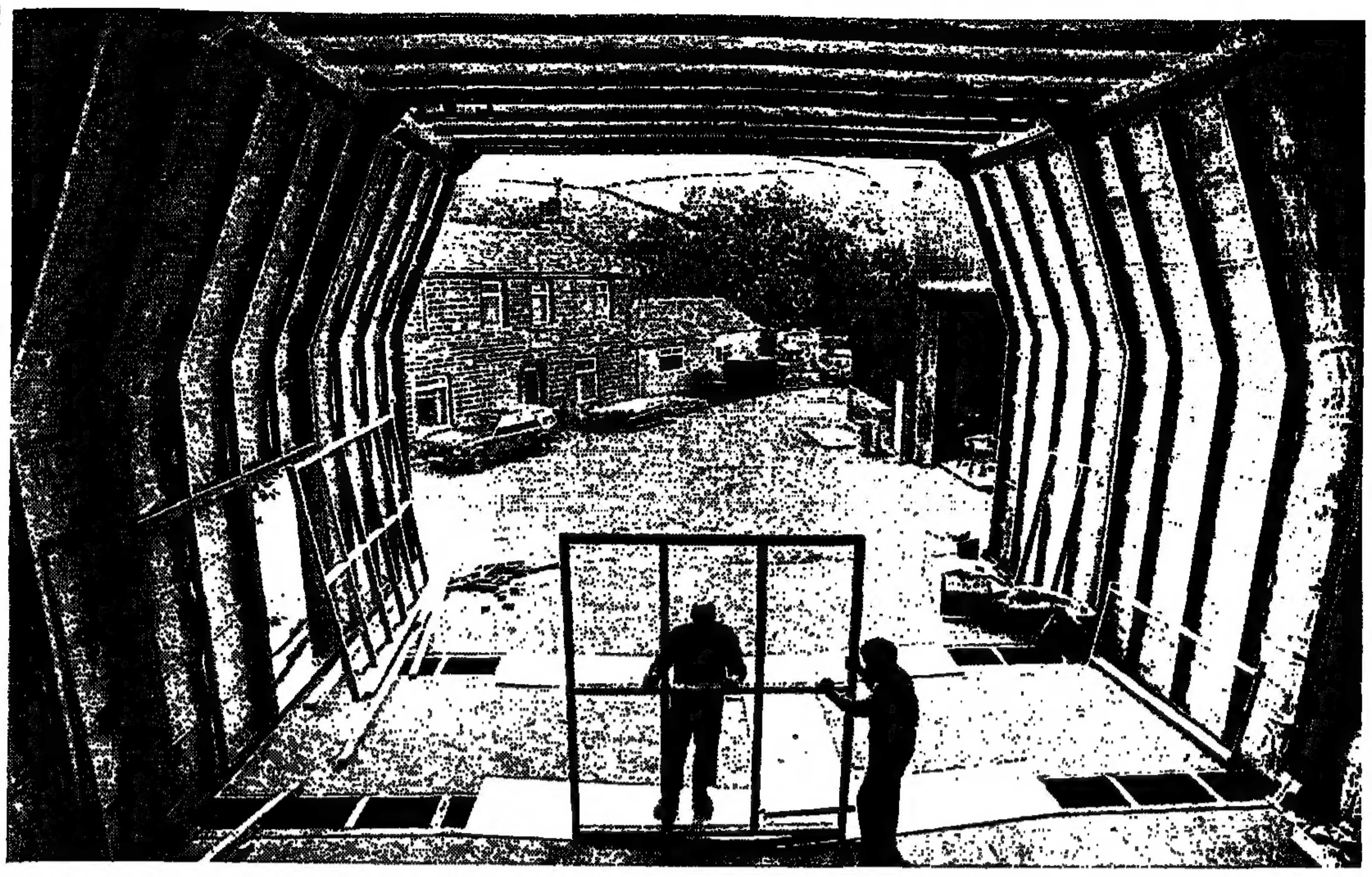
A ROYAL Air Force munitions depot at Chilmark, Wiltshire, is to be closed as part of a reorganisation of the armed forces' facilities for storing and maintaining armaments.

The measures are the last in a series of cuts in military support services, and involve responsibility for many RAF weapons being transferred to the other services.

The Chilmark site, which employs 250 civilians, is to close in 1995. Officials said compulsory redundancies would be kept to a minimum.

The Ministry of Defence has also decided to begin a redundancy programme at the naval depot of Trecwn, in south-west Wales.

A plan to bring forward the closure date from 1996 to 1995 was discarded, but the MoD now plans phased redundancies among the 500 staff.



This novel garage on skis sails for the Antarctic on October 1 to house cranes, bulldozers and other vehicles at the UK's most southerly research station, at Halley on the Brunt Ice shelf. The garage, made by VM Fabrications of Holmfirth, West Yorkshire, can be moved when necessary to overcome the accumulation of snow around the structure. It was designed by Bennett Associates to a concept detailed by the building section of the British Antarctic Survey, and will be shipped on the survey's vessel BRS Bransfield.

Photograph by Tony Andrews

Manx plan to compensate depositors

By Ian Hamilton Fazey, Northern Correspondent

THE ISLE of Man government is to introduce a £4.45m ex gratia compensation scheme for depositors in the Savings and Investment Bank, which collapsed 10 years ago with £42m of depositors funds.

Mr Miles Walker, the island's chief minister, said yesterday the scheme would be put before Tynwald, the Manx parliament, next month if administrative arrangements could be agreed in time with the bank's liquidators. Payments – to a maximum of £5,000 – would be made to nearly 2,000 depositors early next year.

The move was attacked by Miss Gwendoline Lamb, who had £30,000 in the bank, as "morally shameful". She said the trial judge who in 1990 dismissed fraud charges against eight bank shareholders, officials or agents because of delays in bringing them, had suggested that £10m saved in court costs should be used to compensate depositors.

Mr Walker said the ex gratia payments would give them the same as they would have had under the UK's depositor protection scheme of 10 years ago. The Isle of Man, a self-governing Crown dependency, had no scheme at the time.

Government attempts to make ex gratia payments in 1990 were thwarted when Mr David Cannan, who had been dismissed as finance minister after political differences with Mr Walker, persuaded Tynwald to wait until publication of the official report on the bank crash by Mr John Chadwick QC, an English barrister appointed by the Manx High Court.

The move was designed to force disclosure of the report, which is severely critical of the 1982 Manx government, but publication had to wait until associated trials in England were over last month. The report will come out on Tuesday. Much of its criticism of government officials is already known because of court proceedings and a parallel report on supervisory standards by the Bank of England, published in 1990.

Those facts were not, however, available when depositors pursued a claim against the government to the Privy Council – the island's ultimate court of appeal – in 1989. The Privy Council ruled that the government had no duty of care to depositors, and the action failed.

Mr Cannan said yesterday: "Once the Chadwick report is out, it will be up to depositors to consider whether they should return to the Privy Council and ask for another hearing on the grounds of new evidence, which they may well feel the report provides."

The crucial element of the report is likely to be that the Savings and Investment Bank was insolvent on several occasions during the last 16 months of its life, but that the island's treasury allowed it to carry on trading.

Attempts to bring the SIB's principals to trial and disclose the background to the collapse started only after a new Manx government, under Mr Walker, took office in 1987. Manx supervision has since been tightened and is now regarded as among the toughest.

Papers leak 'could have damaged BCCI probe'

By John Mason

THE SERIOUS Fraud Office's investigation into the collapsed Bank of Credit and Commerce International could have been gravely damaged by the leaking of confidential documents to a suspect's solicitor, an Old Bailey jury heard yesterday.

Mr Chris Dickson, an SFO assistant director in overall charge of the BCCI inquiry, told the court evidence might have been destroyed, witnesses interfered with and the SFO's reputation with the US Justice Department and the Bank of England damaged.

Mr Mark Braley, a former Coopers and Lybrand accountant seconded to the SFO for the inquiry, and Mr Bernard Lynch, a freelance accountant, both deny conspiring to pervert the course of justice.

The prosecution alleges the two men plotted to supply confidential information from the inquiry to Mr Michael Barrett, a solicitor acting for Mr Syed Akbar, the former head of BCCI's Treasury division. Mr Barrett notified police of the plan.

Mr Akbar, now living in France, is under arrest and the subject of extradition proceedings in both the UK and the US.

Mr Dickson, a prosecution witness, said the documents would have disclosed the extent of the SFO's knowledge and the lines of its inquiries.

"The fraud involving the Treasury division alone was a massive fraud," he said.

Possible targets of the SFO inquiry might have destroyed evidence and left the UK, he said.

Information-sharing with the US authorities could have been hampered and the Bank of England may have been concerned about the SFO's ability to look after sensitive documents.

Publication of the documents would also have hindered attempts to persuade people in the Middle East to co-operate with the SFO, he said.

The trial continues.

Council offers deal for pay freeze

By Catherine Milton, Labour Staff

A LOCAL authority is offering its town hall staff of nearly 1,400 a guarantee against compulsory redundancies if they accept a pay freeze next year.

Walsall Council is believed to be the first authority to have made such an offer. The move is surprising because Walsall is not one of the few local authorities to have opted out of the national bargaining machinery.

Local-authority analysts said such moves by councils might become more frequent as the predicted tight public-sector pay round next financial year curbs budgets.

About 500 members of the Nalgo public-sector union have rejected the offer. Nupe, another public-sector union, and the GMB and TGWU general unions have yet to respond.

Nalgo said: "We are still at the very early stage of the budget-making process. We cannot be certain the guarantee could be delivered." If members gave up next year's increase, they would be outside national pay bargaining machinery and would find it difficult to catch up with staff at other local authorities.

Mr Mike Bird, council leader, said: "The council is facing financial problems and needs to make cuts of about 20 per cent. We are offering employees the chance to safeguard their jobs." If the deal is accepted it will save the council £3.5m of the £14m it needs to save.

Ambulance inquiry sought

By Alan Pike, Social Affairs Correspondent

THE Commons health committee was urged by Nupe, the public-service union, yesterday to conduct an inquiry into the funding and management of the London Ambulance Service.

LAS, the biggest ambulance service in the country, has faced increasing criticism recently for delays in handling incoming telephone calls and attending some emergencies.

Nupe, which has been among the most vocal critics, accuses the service's management in a document circulated to London MPs yesterday of using the capital as "an experimental playing field" for the use of rapid-response paramedic units and a helicopter. They are, the union says, soaking up resources and contributing to the inability of LAS to provide a strong basic service.

The Nupe report says the service's management is "obsessed with economic considerations". LAS was "slowly disintegrating into an expensive lame duck with the frantic 999 caller becoming its least important customer".

Mr David Blunkett, shadow health secretary, responded to the report yesterday by writing to Mrs Virginia Bottomley, the health secretary, asking her to set up an inquiry into LAS.

He said the document was a "damning indictment" of the present state of the service. It revealed "serious risks faced by Londoners because of the underfunding and inadequate staffing which is undermining the service".

The inquiry, Mr Blunkett said, should include an examination of the impact of commercial and financial pressures on the service.

● Mr Blunkett also wrote to Mrs Bottomley yesterday asking her to clarify the position in relation to the supervision of the West Midlands Regional Health Authority.

Sir Roy Griffiths, deputy chairman of the National Health Service board, has been asked by Mrs Bottomley to help to strengthen the authority's management after a critical district auditor's report into the handling of a contract.

Mr Blunkett said there appeared to be significant difficulties within the regional authority, and it was "in everyone's interest that the whole picture is in the public arena as quickly as possible".

Unions still significant, report says

By David Goodhart, Labour Editor

SEVEN out of 10 British employers in companies with more than 200 employees still negotiate with trade unions, according to the latest Cranfield Price Waterhouse survey of European industrial relations.

The figure is surprisingly high, given the recent decline in union membership and influence. British trade unions have lost 3.5m members since 1979 and the proportion of employees in unions has fallen to about 40 per cent.

A preliminary report on the survey says the figure puts into perspective "the much vaunted predictions of the terminal decline, or even death, of the trade union movement [which] seem, to say the least, much exaggerated."

The UK level of seven out of 10 larger employers – covering both private and public sector – recognising unions is average for the 12 European countries covered by the survey.

In many of the organisations, though, unions represent a relatively small proportion of staff, and in only four of the 12 countries – Denmark, Spain, Ireland and Portugal – do more than half of the organisations report union membership above 50 per cent.

The survey, which has been running for three years, is based on questionnaires returned by about 5,500 of the 35,000 organisations contacted.

A majority of the respondent organisations report no change in union influence. The overall trend is a small reduction in influence, but some countries, including Germany and Spain, report a marked increase.

Industrial relations remain relatively centralised, with policy decisions being made at HQ level in more than 40 per cent of organisations in all countries except France and the UK. A high degree of centralisation is especially evident in southern European countries.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Saturday September 19 1992

Dancing amid the ruins

WE HAVE never seen anything like it before. Not the disorder in the currency markets, for that is an oft-told tale; but the spectacle of the stock market mounting a champagne celebration to mark the discomfiture of a Conservative government. In economic terms, this judgement may well prove apt.

The cost to the UK of trying to achieve monetary convergence had become unacceptably high, and its departure from the system is a potential economic liberation.

But the political cost of the crisis, not just to Mr John Major but to the whole of the European community – including those still waiting for admission – is incalculable. The market reaction shows not just the devaluation of a group of currencies, but of the whole idea of an integrated Europe.

This is not a gain of any kind. There is no alternative vision on offer, nor any political leader strong enough to impose one even on his own electorate, let alone his partners.

Market disillusion with the project for economic union has been evident for many months. The first signs appeared even before the Maastricht treaty was signed. Bond yield differentials, which had been narrowing for some time in the hope of lasting economic convergence, started to widen just as the convergence plans was being officially ratified. Then came the collapse of the ECU bond market, which had been seen as the commercial precursor of monetary union: there were not enough interested investors to constitute a workable market. They were not impressed with visions of 1993, let alone 1997 (the hoped for Maastricht date for a single currency).

Red meat

All the same, the currency markets remained calm. The world banking system has been so debilitated by bad judgement and bad lending that nearly all banks had forbidden their dealers to take speculative positions for more than an hour or two. Exchange markets responded not only to light central bank intervention, but even to veiled hints from those in authority. Only a few weeks ago, the idea that dealers might suddenly eat red meat, and turn to defy concerted intervention across Europe, looked far-fetched. British hopes that firm official words could control the financial tide look silly now, but must have seemed quite plausible then.

In the event it was not sterling or the lira, but the US dollar which fell first. This seemed at first to have official blessing, as the Administration took a public position which was very near benign neglect. But the telling moment came when the combined central banks made a quite obviously half-hearted attempt to check the fall. For the first time in many months, dealers who kept an open position against their central banks during a trading day closed their books in the evening with useful profits, and at a time when banking profits were hard indeed to earn. The sharks were freed to hunt; the lira devaluation a week ago poured blood into the water.

Popular doubts

European leaders would no doubt be blaming the whole crisis on the dealers, if they were not so busy blaming each other; but this would put cause and effect the wrong way round. What we have seen is not politicians struggling with markets, but markets responding to politics. The Danish vote, the strength of French popular doubts about Maastricht, and ever louder criticism of Mr Major's policies from his own back benches were all known before the markets ran out of control. A vacuous meeting of Group of Seven officials deepened the general scepticism, and reports of a furious shouting match when Europe's finance ministers met in Bath set the timing.

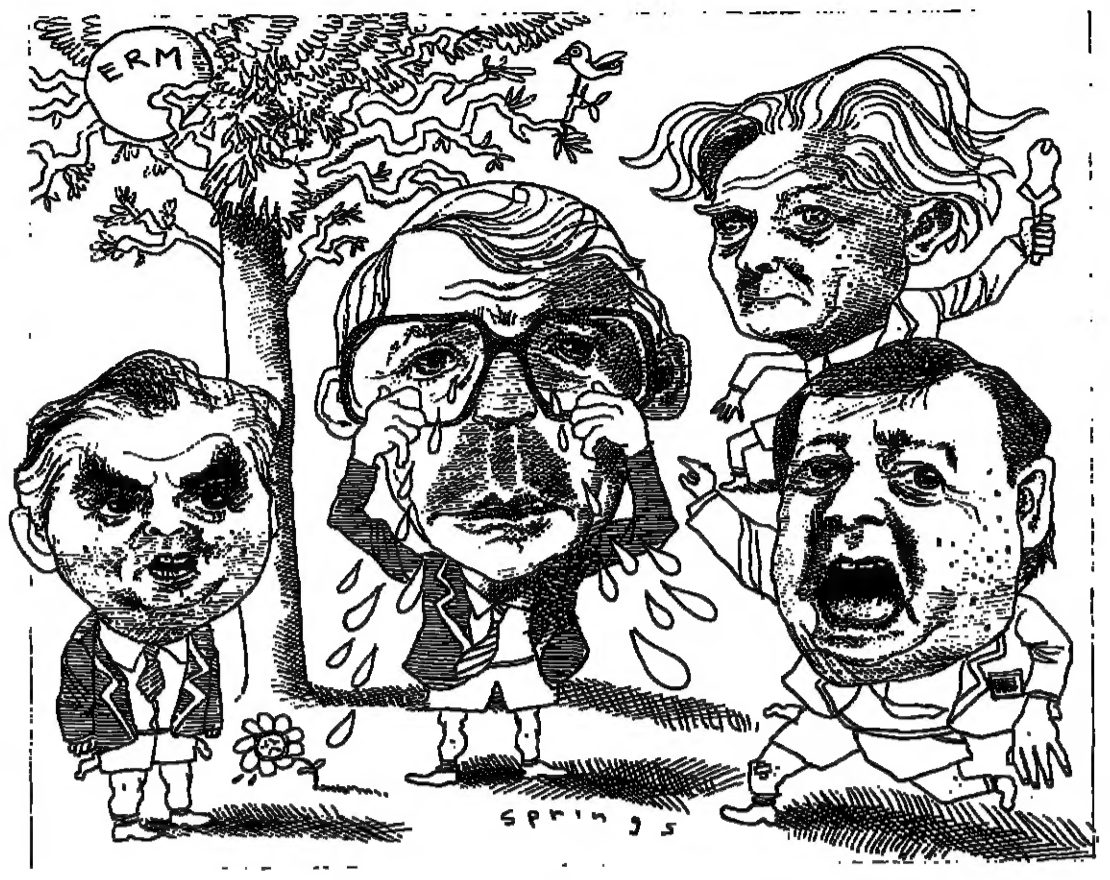
By Monday, a French "Oui" to Maastricht may reset the direction of European development, though now on a long, two-speed route. This should restore some calm, but it will do next to nothing to calm fears of world depression, to meet the hopes of the ex-Communist countries of Europe, or to end the threat posed by revived populist nationalism.

It would be easy to urge the Group of Seven or the whole membership of the IMF, whose meeting are just about the begin, to set a new lead. Such an effort would be difficult in economically lean times, which always inspire national selfishness. While the US is in mid-campaign, and Anglo-German insults are being rallied across the North Sea, it would be futile. Any attempted solution will have to wait on the election of new leaders to replace the tired and discredited men of the moment – a group which Mr John Major has at least temporarily joined.

The world leaders could, however, aim for an important second best. They should agree to refrain from competitive devaluation, and to tackle the Uruguay round of trade talks with a new sense of urgency. Such a pact should be achievable, even through clenched teeth. It accords with everyone's stated aims, and would counter a short term setback with some long term hope.

After a week of angst, John Major must start again from scratch. **Philip Stephens** takes the measure of the man

Smiling through the tears



It could not have been a crueller week for Mr John Major. In the space of a few hours the foreign exchange markets brushed aside everything the prime minister has worked for during nearly two years in 10 Downing Street. He must now start again from scratch.

It is not an impossible task. Too many made the mistake five months ago of judging Mr Major's April general election victory as the precursor to permanent Conservative government. It would be equally wrong now to view the, albeit bloody, defeat he suffered this week at the hands of the currency speculators as the prelude to inevitable self-destruction. Politics is not that simple.

There is no doubt, though, that the next year will be gruelling. The events of this week have greatly weakened Mr Major's political authority and left his government without a coherent economic strategy. They have exposed and widened the fault lines in his party over Europe.

Mr Major's own reluctance yesterday to set any date for sterling's return to the exchange rate mechanism of the European Monetary System indicated that the personal pain of his defeat is clouding a more considered judgment of how he can rebuild his strategy.

The mood at Westminster yesterday did not reflect that reality. In the extraordinary way of politics, the despair which had gripped the Conservatives on Wednesday night, when sterling was withdrawn from the ERM, had been replaced by a surreal euphoria.

For many in a Tory party desperate to see an end to the recession, and one in which a streak of xenophobia is never far from the surface, breaking the link with the D-mark was a cathartic experience.

Mr Norman Lamont, the embattled chancellor, caught the mood when he talked yesterday of running a "British economic policy". Ministers joined Tory MPs in predicting an early interest rate cut and in prophesying that a devalued pound would hasten recovery. And Britain would no longer be pushed around by the Germans.

In a strange way it is easy to see how, in the short term, life could be easier for Mr Major. The chancellor was at pains yesterday to stress that anti-inflation policy would remain the first priority. But the implication of his comments was that the ERM obligation to hold sterling at DM2.95 had been imposing too tight a squeeze.

A cabinet colleague said the government had recognised for some time that the tensions in the ERM caused by German unification meant that the British economy was "disinflating too fast". It had decided to stick with DM2.95 because of the long-term credibility that it would buy with financial markets. But now it had been forced off that rate, it could recognise a more realistic approach was possible.

A more junior minister offered a £10 wager that interest rates would be below 10 per cent by the time Mr Major rises to address the Tory party conference on October 9. Added to a few harsh words about the Bundesbank, it would guarantee the prime minister a rapturous standing ovation.

The minister was scornful of the suggestion that the conference might wonder about past promises to the Tory faithful to keep the pound pegged to the D-mark: "Our capacity for collective amnesia is infinite."

An apparently ineffectual Labour opposition tied by its own support for the policy of holding the pound at DM2.95 added to the strange mood of optimism.

But Mr Major cannot afford to relax. It may well be that life in the short term will be easier. It may be still easier if the French electorate votes tomorrow to reject the Maastricht treaty on European union. "That would solve a lot of problems," one of the prime minister's colleagues said this week.

But as he reflects this weekend on the traumas of Wednesday, the prime minister cannot be sanguine. Since the day in October 1990 when he persuaded the then Mrs Margaret Thatcher to take sterling into the ERM he has invested as much of his own credibility in a single policy as any British politician in recent history.

For two years he has poured scorn on the long list of predecessors in Number 10 who promised to defend the pound and then failed. Only 10 days ago he had this to say of the then Mr Harold Wilson's decision to devalue sterling in 1967. "Did this lead to a sustained improvement in the UK's competitiveness?" he asked rhetorically. "It did not. A brief flurry only. Retail price inflation doubled over the following year and any improvement in competitiveness swiftly ended. No greater competitiveness and doubled inflation: what sort of bargain is that?"

Such phrases will come back to haunt him in coming months and years. Mr John Smith, the Labour leader, is promising a litany of them during what will be be a bruising debate on the economy in the House of Commons next Thursday.

But there is more at stake than personal or political pride. Mr Major justly has the reputation of being a pragmatist. He is fond of telling people that he is neither an intellectual nor a philosopher.

His steady yet spectacular rise through the ranks of the Tory party during the 1980s owed much to his shrewd determination to be branded neither a Thatcherite nor a Wet – but to seen by his peers as both. It is those traits which have brought the wounding comparisons this week with Mr Wilson, the arch-pragmatist of post-war British politics.

But the prime minister's approach to inflation is different. His repeated assertions that Britain's poor inflation performance is at the root of the nation's economic decline represent conviction rather than convenience.

He sees inflation as a moral as well as a political issue, a phenomenon that erodes the social fabric of society and drains its economic strength. Thus last week he quoted approvingly from Keynes that: "There is no subtler, nor surer means of overturning the existing basis of society than to debauch the currency."

It was from that perspective that over nine difficult months as chancellor in 1990 he persuaded Mrs Margaret Thatcher to put sterling in the ERM. When he replaced her in 10 Downing Street a fixed parity for sterling against the D-mark was confirmed as the fast-track to the Holy Grail of stable prices.

Barely two months ago Mr Major was wondering aloud at cocktail parties how long it would take before sterling joined the D-mark in Europe's hard-currency club. It sounded fanciful but he meant it. Now the pound has been bracketed with the lira and the peseta. He must add another two years at least to whatever the timescale – a decade or so – he had in mind.

It was not just the prime minister's economic policy that lay in ruins on Wednesday evening. His second ambition when he got the job was to rebuild from the wreckage left by his predecessor a consensus in the Tory party over Britain's place in Europe. He is not a federalist and never will be. But he was and is convinced that Britain could not risk being stranded on the fringes of the European Community. Just as Mr Major wanted the pound to be spoken off in the same breath as the D-mark rather than the peseta so, too, was he convinced that Britain had to be in Europe's first division.

He painstakingly rebuilt the bridges with Chancellor Helmut Kohl that had been so merrily burnt by his predecessor. In literally scores of meetings with groups of sceptical Tory backbench MPs he persuaded them that the government had to live with Europe rather than revile it. Mrs Thatcher was marginalised as the new prime minister declared that the Maastricht deal – albeit with its opt-out clauses – represented "game, set and match" for his brand of pragmatic Europeanism.

Ironically the seal was to be set on that policy during the current presidency of the Community, with December's Edinburgh summit confirming with great fanfare Britain's return to what Mr Major is fond of calling the "heart of Europe".

Instead it is the Euro-sceptics who now have the upper hand. The swathe of uncommitted MPs in the Tory party at Westminster are beginning to wonder if the irreconcilables – the small band who have always opposed the ERM and Maastricht – were right in blaming sterling's link to the D-Mark for the economic pain of the past two years.

Mr Major's thinly-veiled attacks on Germany and Mr Lamont's appeal to the spurious notion that there can be something akin to a uniquely British economic strategy have not helped his own cause.

He questioned yesterday the basic structure of the ERM. But the D-Mark's domination of the system is nothing new. Mr Major, a former chancellor, cannot claim to have believed the Bundesbank would be anything but inflexible about its domestic anti-inflation strategy.

Mr Major's present stance will help reassure the Euro-sceptics. And perhaps, after such a shattering week, it is not surprising that Mr Major should want nothing more than a period of peace and quiet at Westminster.

But over the coming months he will have to rebuild a European policy which consists of more than blaming the Germans. He presides over a pro-European cabinet.

The senior ministers he gathered around him on Wednesday to share in the decision to leave the ERM – Mr Douglas Hurd, Mr Michael Heseltine and Mr Kenneth Clarke – still see Britain's future at the heart rather than the periphery over Europe. And, as Mr Heseltine signalled yesterday, they do not believe there is a long-term future for the pound outside the ERM once the single European market is in place.

Nor do they doubt that the prime minister still shares his ambition of stable prices and partnership rather than conflict with Germany and France. During the crisis hours on Wednesday it was Mr Major who demanded confirmation and reconfirmation from the Treasury that the government had fulfilled all its ERM obligations before he took the decision to withdraw the pound.

His colleagues expect Mr Major's understandable angst to be replaced in coming months with a return to the pragmatism which persuaded him to join the ERM and his party to jettison the anti-Europeanism into which Mrs Thatcher had led it.

It will be a long and painful journey, punctuated by further outbursts of internecine strife in the Tory party.

But Mr Major has invested too much in his anti-inflation strategy and in the ERM to break loose now, and too much in Europe to declare that he too is a Euro-sceptic.

Fear and loathing on the loose

Judy Dempsey on the task facing UN troops in Baranja, eastern Croatia

War seems a long way off from the lush, sun-drenched cornfields of Slavonia, eastern Croatia. Yet this time last year, the Yugoslav army and Serb forces were fighting against Croat soldiers in these meadows from where mortar and artillery rockets were launched. Entire villages and towns were razed.

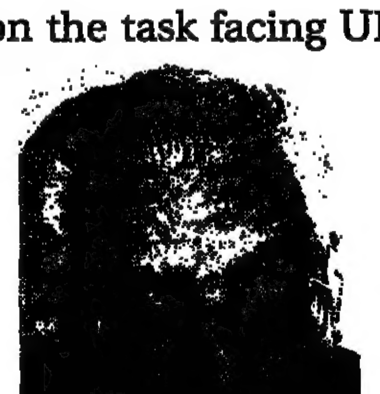
Since April, UN troops deployed in three sectors of Croatia have steadily overseen the withdrawal of the Yugoslav army and the disarming of local Serb police forces, a process which is continuing. Despite these troops, the UN's protected area in "sector east", eastern Croatia, is lapsing into lawlessness.

The Serbs, who seized this and other parts of Croatia last year, are determined to hold onto their gains. Mr Boronje Zivanovic, president of the council of Beli Manistir, the main town in the Baranja, which comprises the entire northern part of sector east, said the region would never again become part of Croatia.

"This is our territory. This is part of the Serbian republic of Krajina," he said. He called the Belgian UN battalion, deployed in this part of sector east, "fascists".

Mr Zivanovic says Serb leaders want to set up their own state in the Baranja, even though it is Croatian territory. "Those Belgians are preventing us from doing that," he said. He added that the local Serbs authorities are applying laws passed in September 1991 by the self-proclaimed Serbian republic of Krajina, which includes the Baranja. As part of the creation of a greater Serbia, Serbian President Slobodan Milosevic had hoped to link the Krajina with Serbia proper.

The recent upheavals have altered the ethnic composition of the Baranja. Forty-two per cent of Baranja's 54,000-strong population was Croat and 25 per cent was Serb. During the fighting, 25,000 Croats and Hungarians fled the region. Since the war, 10,000 Serb refugees



Tudjman: demands that UN allow refugees to return

have been resettled there. Today, Serbs make up more than 70 per cent of the population.

The determination of the Serbs to hold onto the Baranja also accounts for Mr Zivanovic's insistence that it is "ridiculous" to expect the Serbs to give up all their weapons under the UN peace plan for Croatia. "We fear an attack from Croatia. Croatia has already expelled many Serbs from that republic. Serbs who remain there have no rights whatsoever," he said.

To compound matters, Croatian President Franjo Tudjman is demanding that, on September 30, the UN start allowing Croat refugees back to the Baranja. "The conditions for their return, which include their safety, do not yet exist," said Ms Blandina Francis Negga, the UN's civilian affairs co-ordinator in sector east.

Another UN official said Mr Tudjman would try to send back "refugees" who were 6ft 6in tall, young, fit, and well-trained. "We would have a war on our hands," he said. "We are in a no-win situation. If we do not allow the Croat refugees back to the Baranja, we will be accused of exacerbating the refugee

crisis in Croatia and facilitating ethnic cleansing of the Baranja."

Another senior UN military official added: "We are hated by the Croats because they accuse us of consolidating Serbian gains in Croatia. We are hated by the Serbs because they accuse us of preventing them from setting up their own state in the Baranja." The UN's mandate does not permit state structures being established in sector east. "What we can do is report cases of intimidation against the ethnic communities to the local authorities," said Ms Negga.

UN officials say that killings, aimed at forcing out the non-Serb population are frequent, with between 10 and 15 incidents taking place each day. Since they arrived last April, they know of 40 ethnic murders, and 400 terrorist acts against the non-Serb population.

"We have documented proof, including identification by victims, that members of the [Serb] regional police forces have taken part in terrorist acts," a UN military official said. Mr Zivanovic said he had heard about some of these cases, but denied any complicity by the regional police. Colonel Dragan Novakovic, chief of Baranja's regional police, also denied any involvement by the police in terrorism, or any organised policy of intimidation of non-Serbs.

But Croat and Hungarian homes in the Baranja are easily identifiable (they have a white cloth or a red mark put on their houses by the authorities). Many live in fear. "My friend was butchered last week," said a 65-year-old Croat peasant woman. "They killed two of my friends in front of my house."

The UN know about this, and other cases. "Can we place a patrol outside every Croat and Hungarian house?" asked a UN military official. "We have not got the resources."

He turned to the problems of neighbouring Bosnia-Hercegovina. "Can you imagine the UN trying to set up protected areas there given our problems here? The Baranja is just a tiny, tiny, microcosm of Bosnia. This is a step-by-step process of restoring stability here, where the desire for revenge runs deep. It will take years before Serbs and Croats can live together again."

Rising tide of disillusion

The road from Maastricht has been paved with miscalculation, writes **David Marsh**

The politicians who launched Europe towards political and monetary union last December knew they were treading a narrow causeway. They did not imagine, however, how quickly the waves of confusion and hubris would be lapping around their ankles.

The road from Maastricht has been paved with miscalculation. Even if the French vote No tomorrow, the journey towards European integration will not come to an end. Yet the route will become more perilous – and the number of countries determined to carry on may diminish.

From the beginning, uncertainty has been inherent in the treaty, reflecting the pathwork of nebulously-worded compromises aiming to satisfy the demands of the document's 12 signatories. Would Maastricht

One warning signal has been the rise of national antipathies

turn the European Community into an intolerable "superstate", as Lady Thatcher, the former UK prime minister, has claimed, or mark the first step away from EC centralisation, as stated by Mr John Major, her successor?

Would the treaty repair drawbacks in the 1987 Single European Act, which established the way to a border-free "single market", as President François Mitterrand declared on French television a fortnight ago? Or would it exacerbate these deficiencies, to the detriment of millions of Gallic workers and farmers, as his opponents in the French referendum campaign claim? Would it extend German monetary hegemony across Europe, as many French voters fear – or would it allow the Paris government to get its hands on the D-Mark, as many Germans (including the officials of the Bundesbank) believe?

Confronted with these contradictions, as well as the Community's ineffectiveness in dealing with challenges ranging from immigration to the conflict in the former Yugoslavia, voters seem puzzled and disillusioned. In the Netherlands – traditionally in favour of a federal Europe – 44 per cent of voters are undecided about Maastricht, while more than half do not understand the treaty, according to two recent opinion polls.

Just nine months ago, the Maastricht trail looked a lot less stony. At the EC summit in the Dutch border town, Mr Helmut Kohl, the German chancellor, projected fulsome confidence. He agreed a small private wager – six bottles of wine from the Rhineland-Palatinate village of Gimmeldingen against a crate of British vintage – that the UK would join economic and monetary union (Emu) by the Maastricht timetable date of 1997 or 1999.

The German chancellor has again been doing his best to spread bonhomie, claiming that Mr John Major, the UK prime minister, told him that Britain would "soon" rejoin the exchange rate mechanism. In fact, the turmoil in the European Monetary System has now sharply lengthened the odds against Emu being established – and relegated to the realms of dreams the notion that Britain could take part in it.

Everywhere, governments appear to have underestimated the degree of deflation which the tough Maastricht Emu targets, together with high German interest rates, would impose on European economies. The financial markets' belief that these deflationary pressures would prove politically unsustainable in the weaker currency countries has been the main factor behind the ERM unrest.

Other misjudgments have been in the political sphere. Mr Mitterrand's referendum gamble may by tomorrow night have blown up in his face. Compared with the president's expectation three months ago of a sizeable Yes majority, the best he can now hope for is a small margin in favour. That would salvage the treaty. But, in a country which, with Germany, has been the motor of European integration, such a grudging outcome would leave grave doubts about whether the Community can maintain the drive forward.

The Danish government, presiding over an electorate habitually sceptical about further integration, took another form of risk by holding an early referendum in June. It chose not to wait for other countries to embark first on the ratification trail.

The Danish No was spurred by a mixture of motives. Top of the list seems to have been ordinary people's concerns about Community interference in their lives – fears which are very similar to the worries expressed by many in Britain.

Mr Uffe Ellemann-Jensen, the pro-Maastricht Danish foreign minister spent the summer pondering why the Danes (by a small margin) turned the treaty down. He believes he has now come up with an answer. "The whole idea of European co-operation has simply become too far removed from the daily lives of our people. The Danes showed they were sick and tired of reading in the newspapers or hearing on the radio every morning that new things had been decided over their heads."

Since Maastricht needs to be ratified by all 12 members, the Danish No ensures that the treaty cannot become operational until next year, at least. Even if it surmounts ratification hurdles elsewhere, the treaty will require the blessing of another Danish referendum next spring.

Still more important than the legal quagmire it created, the Danish rejection had a catalytic effect in spreading doubts elswhere. Crucially, it suddenly became respectable in Germany for opponents of Emu to make public their qualms about abandoning the D-Mark. The agonising over whether the planned new European currency will be as stable as the D-Mark is likely to be given a fresh public airing when parliamentary ratification starts in Germany later this autumn.

Attempts to re-establish the ERM on a sound footing are unlikely to be successful while the present strains and recriminations persist. For some German critics, the writing is on the wall. Mr Hans Barbier, the economics editor of the conservative Frankfurter Allgemeine Zeitung, yesterday signed off a trenchant front-page article by declaring that the European Monetary System was worthless. "One should not be sad if [such systems] fall apart."

With weaker currencies, led by sterling and the lira, now clearly detached from the ERM's D-Mark-based "hard core", the group of countries which could participate in Emu has been reduced to no more than six: Germany, France, the Benelux countries and, possibly, Denmark. If France votes No, even the prospect of a slimmed-down Emu grouped around a Franco-German nucleus would vanish.

One warning signal for the future has been the resurgence of national antipathies. This week's articles in the British

From the start uncertainty has been inherent in the treaty

tabloid press about "the Bundesbank bullies" have been just one sign. Many Germans have been irritated by the fears of German dominance which have played a large role – in both the Yes and No camps – in the French referendum campaign. Complaining about the anti-German overtones in France, Mr Rudolf Augstein, the publisher of Germany's most important news magazine Der Spiegel, wrote, perhaps somewhat drastically, this week: "What worries us most is the fact that the oft-proclaimed Franco-German friendship in practice hardly exists."

If French voters – for whatever reason – ditch Maastricht tomorrow, the Community will not suddenly lose its *raison d'être*. In a speech in London on September 7, Mr Major spelled out seven separate items on the Community's agenda which would still require active attention even if the Maastricht process failed: the single market, the EC budget, enlargement, links with eastern Europe, the Gatt negotiations, and so on. If Maastricht is buried, the Community would none the less need to make a giant effort to recover from the shock. According to one favourite EC maxim, the Community is like a bicycle: the only way it can remain steady is by moving forwards. This week, everyone's fear of toppling has suddenly intensified.

Martin Wolf on what John Major should tell the House

Plan for staying afloat

Next week Mr John Major will have to defend himself before the House of Commons against the charge of leading his government and his country into the ERM disaster. This is, after all, the man who said, less than two weeks ago, that "changes in economic and monetary arrangements . . . must work with the grain of the market and not against it. This is of course what the ERM does." After what markets have done, what will the prime minister say? Ideally, something like this:

"I must apologise to honourable members of this House. I was wrong. The government was wrong. But so, I would remind this House, was the Opposition.

"Not having suffered the disadvantages of a university education in economics, I have little excuse. People with first class degrees and insufficient confidence in their country found attractive the simplifications and the defeatism that lay behind our ERM policy. I cannot plead this justification.

"Why defeatism? How else can one describe the view that the best possible monetary target for the UK was German broad money and the best central bank the Bundesbank?

"Why simplifications? Over the past twenty years, governments first received plaudits for trying to get the exchange rate down, whatever its effects on the money supply; then for deciding to control the money supply, whatever its effects on the exchange rate; and finally, for keeping the exchange rate up, whatever its effects on the money supply. This drunken walk from one over-simplified nostrum to the next has perfectly matched the behaviour of the economy.

"The ERM policy has, in the end, damaged our credibility and our relations with Germany. The system is, in fact, half-baked: too rigid to accommodate the pressures of the markets and too flexible to resist them. The logical policies are either a single currency or a floating exchange rate. The Germans will not soon grant the former, at least to the UK, so the UK must, for the moment, choose the latter.

"A floating pound provides an opportunity, but also a danger. I remain convinced that this country should aim for steady, non-inflationary growth. Monetary policy will not deliver the growth. It is our old supply-side policies – competition, privatisation and low taxation – plus our new supply-side policies – more spending on economically productive infrastructure and a radical overhaul of education and training for the over-sixteens – that will deliver growth in the longer term. But monetary policy can provide support.

"How, the House may wonder, is the government going to pull off this miracle? It is not. The Bank of England is. Daily operation of monetary policy is to be the Bank's responsibility. A bill to grant it operating independence and reconstitute the Bank's court of directors will be before the House shortly.

"You must all wonder how the Bank of England is going to manage its task. That, I am glad to say, will not be the government's problem. But I imagine that like the Bundesbank it will look at broad money - rather a reliable indicator ever since we stopped targeting it - the exchange rate and long term interest rates.

"The Bank will still be accountable. First, the government will be able to override its decisions. But it will have to do so publicly. Secondly, the Governor will have to explain the Bank's policies to the House. I wish her every success.

"Many of my honourable friends hope for yet another dash for growth, with interest rates down to 5 per cent tomorrow. That is neither what we intend nor what the country needs. What it needs is an export-led recovery and continued control over inflation, so building on the one success of the last two years. The latter is what the Bank will be expected to deliver. Nevertheless, my honourable friends will be pleased to know that the government will cut base rate by another two percentage points. We intend to take advantage of our last period of monetary responsibility to make this fully justified cut just before the party conference.

"Once monetary policy is out of our hands, our aim will be to stop the fiscal haemorrhage. We intend to eliminate the deficit over the next several years, not because of the mechanical Maastricht convergence criteria, but because of the need to limit the government's call on private savings.

"As the economy recovers, current spending will come back under control. But we will also be taking a longer term and more radical look at the structure of spending. In the meantime, the growth in public sector wages will be limited to 2 per cent a year over the next three years.

"I have only one more announcement to make. My honourable friend, the chancellor of the exchequer, is to resign his post. This is not because he was responsible for the ERM calamity - the House knows he was not - but because he has become a liability to Anglo-German relations. Our blundering has hugely damaged those relations. We will do whatever needs to be done to improve them. Our firm promise not to rejoin the EMS should help. I can assure the House that this time we mean what we say."

Importance of not being George

Joe Rogaly pinpoints Bill Clinton's greatest attraction to American voters

Mr Bill Clinton *might* be the next president of the US, but with more than six weeks to go that is all that can be said. His principal asset, I was told over and over again in Los Angeles and Washington this week, is that he is not Mr George Bush. He is young; the president is not. He is something new; Mr Bush is all too familiar. He has a plan for the country's salvation; the incumbent is blamed by many voters for setting the US economy on the road to perdition. Yet there is no guarantee that Mr Clinton will win, in spite of a lead that the conventional wisdom declares to be unassailable.

The Democratic candidate's problem is that he has the appearance of a striver who is not quite 100 per cent gilt-edged. This is partly due to the well-known accusation that he is an adulterer, a draft-avoider, and a man who, when a student, puffed on a joint or two. In some eyes these are peccadilloes but, in his anxiety to please, he has made the worst of them. His successive explanations tumble over themselves. The danger for him is that one day he may trip himself up.

He is attractive when addressing a crowd or moving within it to shake hands and sign his autograph. He appears to enjoy pressing the flesh. To my eye, he spoils it by a manner that is a touch over-studied. The gestures, the hair-do, the smile, could have been designed to revive the image of Robert Kennedy. If so, the comparison is to the disadvantage of the governor of Arkansas. Where the former had soul, the latter has calculation.

This is not to say that Mr Clinton is more untrustworthy than any other politician. In the eye of heaven, he may be judged to be possessed of greater political integrity than President Bush. That is, however, beside the point. What counts is that the challenger is vulnerable to attacks on his character.

The intensity of such attacks, orchestrated no doubt by Mr James Baker, is likely to increase. Nothing else that the president has tried seems to have worked. The appeal to "family values" – in reality a sigh of despair at the changes that have taken place in society since the 1960s – is politically lucrative among the older generation, particularly in the southern states, but less so elsewhere. The attempt to copy the subtext of the Conservative election campaign in Britain earlier this year – "sure we made you poorer but the Democrats will make you poorer still" – has not so far been effective.

In short, Mr Bush is still well behind in the race in virtually every state. Former president Richard Nixon, now enjoying an established reputation for shrewd political analysis, has advised the Republicans to forget about California, where Mr Clinton seems set to win. That would give him 54 of the 270 electoral college votes necessary to put him in the White House. This week, the challenger was back on the west coast again, a relaxed candidate nailing down his huge lead.

His highly professional team placed him in south-central Los Angeles, where burnt-out reminders of this year's riots can still be seen.

Clinton is offering what serious parties of the left must today – an activist programme, dressed in free market clothing

At an "employment preparation center" (vocational training school), he talked of federally subsidised community development banks and federal matching funds for the poor who save for a house or an education. He promised enterprise zones, and the sharpening of a law (currently most honoured in the breach) that obliges banks to invest specified sums in local areas.

There is courage in parts of this standard package: he is offering workfare to the poor. That means that, after a while, social security ends if the recipient does not sign up for a job, training or community service. The students, hand-picked by advance teams, cheered and waved their pom-poms and banners.

On to a Mexican independence day rally in the Hispanic area of Baldwin Park. With practised passion, Mr Clinton preached his give-the-market-a-hand interventionism. Mrs Hillary Clinton, splendid in pale blue, favoured the sun-drenched audience with her best Princess Diana smile; the crowd, perhaps aware of tendentious Republican attacks upon her, responded with loud cheers. Mr Clinton talked again of helping the market to help people make the best of their opportunities. In this part of town his language was a shade more conservative than it had been earlier in the morning.

Watching, my mind raced back to 1968, when Hubert Humphrey lost to Mr Nixon by a hair's breadth. Mr Humphrey was a man of substance, a New Dealer, a socialist by today's definitions. He was, however, genuine. I heard him make the same speech at brief stops in 48 states; he surely believed his own words every time. The Humphrey promise was all about government handouts, with nothing that I can recall on enterprise zones, or workfare. He offered to perpetuate President Lyndon Johnson's Great Society.

Mr Clinton is so far to the right of Mr Humphrey – and, for that matter, of Mr Robert Kennedy – that he could be running as a Republican. He is offering what all serious parties of the left must put forward today. This is an activist government programme, dressed in free market clothing. It is hard to combine the two streams of thought into something that appears unadulterated.

President Bush is trying to find a vulnerable point: he has begun to characterise the Clinton programme as "social engineering" of the kind that led to wholesale nationalisation in western Europe.

This is sheer electoral hyperbole. By European standards Mr Clinton's policies are fairly centrist, some of them tending towards the centre-right. On non-economic matters he is no lefty: he is a cruelly proven supporter of capital punishment. Yet, as president, he would constitute a full-stop to the anti-government years that began with the election of President Reagan. He is no free-market minimalist. The Democratic Congress would be likely to support his bills where it opposed his immediate predecessors'. He would, as Americans say, make a difference.

Challenger and wife: Over-studied, undermined by character issue

Not too much should be made of this. The arithmetic of Mr Clinton's proposals, which shifts spending around and increases taxes on the rich, is not wholly convincing to anyone who regards reduction of the budget deficit as a priority. Mr Bush's failing is that he does not appear to understand the need for domestic renovation; Mr Clinton's that his principal motivation appears to be to get elected. For that to happen, American voters must trust him all the way to November 3. It could be tricky.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

High money changing charges reflect badly on European banks

From Mr François P Jeanjean.

Sir, Could I add a few comments related to your excellent editorial concerning the British clearing banks charges on current accounts ("A PR coup for the banks", September 2).

After retiring from a career in international finance I decided to bum in Europe with my son on a budget of $40 a day each.

This called for an examination of all expenses and, in my view, the bank charges for changing money was one of the two worst rackets in Europe (the second is the inability to obtain free tap water).

Canadian chartered banks are not philanthropic organisations, yet the spread between buying and selling for major currencies is about 3 per cent for small amounts; generally speaking, there are no extra charges. In England and in most of Europe the spread is about 10 per cent).

In addition, most European banks, including British ones, charge a commission which can vary from 2 per cent to 6 per cent and some change offices, especially in Amsterdam but also one in Britain's Victoria station, have an 8 per cent commission.

To top it all some banks will accept Visa traveller cheques, but will have another fee to cash an American Express traveller cheque and vice versa. Not a bad business to be in.

This is the time when I appreciated my credit card and the ability to withdraw money in any currency at a fair price, but I cannot help but feel that the banks are not improving their reputation with all the young travellers who had no choice but to use their services.

This is the case for a common European currency, if there ever is one.

François P Jeanjean,
447 Crestview Road,
Ottawa,
Ontario,
K1H-5G7 Canada

Bundesbank only advanced day when UK bit devaluation bullet

From Mr Neil Jamieson.

Sir, The whingeing about the Bundesbank and its president, Mr Helmut Schlesinger, has been taken to excess. Britain's economic woes are of its own making. The government's monolithic handling of economic policy, while worthy in its goals, has been based on false parameters, not least the D-Mark rate at which sterling entered the ERM.

The Bundesbank and Mr Schlesinger deserve our thanks. The Bundesbank lowered interest rates. If I remember correctly, that is what the "economic scribblers" and others in Britain had been pleading the Bank to do for months. Mr Schlesinger's statements merely advanced the day when the government had to bite the "sterling-devaluation" bullet. He has helped to stop the current bout of cancer which, had it continued, may have proved terminal for both the government and British industry.

Neil Jamieson,
Kaiserstrasse 26,
5300 Bonn 1, Germany

Hopping mad, but taking heart at Boots

From Ms S M Seillier.

Sir, Gordon Roddicks's slur – "You have only to look at the customers in Boots to know that they are not the same as ours" – made me hopping mad ("Body Shop shares fall 40 per cent on profit warning", September 17). The two-headed monsters currently trawling round Boots for the things you can't buy at the Body Shop (prescriptions and all proprietary medicines leap to mind) can now take heart and pick up Boots' own-brand "green" cosmetics with a clear conscience.

If falling profit predictions encourage the Roddicks to look for ways to make their chain attractive to those *untermensch*, could I make a couple of suggestions? A few more polite, trained staff, particularly at the tills, would make paying for the goods less of an assault course. And turn off that Muzak!

S M Seillier,
137 Wood Street,
Barnet,
Herts EN5 4BX

Cause and effect of the recession

From Mr Colin Clark.

Sir, I am starting a new business, with my own money. Nothing remarkable about that except that I cannot get anyone to take it.

Lloyds, with whom I have banked for 30 years, flatly refuse to let me have a credit card facility because mail order is involved. Midland, where I subsequently opened a business account, cannot provide me with documentation to operate that account. The fulfilment house failed to turn up at the meeting arranged to finalise my arrangements with it and has not been heard of since.

The magazine in which I wanted to advertise shows no desire to take the advertisement.

A personal introduction from a senior colleague proves insufficient reason for the insurance broker to do anything in response to my calls.

When these people announce their no doubt abysmal results they will blame "the recession". My recent experience suggests the recession is the effect, incompetence the cause.

Colin P Clark,
The Clark Trading Company,
17 Southbrook Road,
Lee, London SE12 8LH

Big is not necessarily beautiful in auditing

From Mr Keith Seeley.

Sir, I read with bafflement the Accountancy Columns's coverage of the Land Travel collapse (September 3).

One of the "warning signs" that Land Travel was about to collapse was apparently the fact that "Price Waterhouse – one of the largest UK firms – resigned last year as auditor, to be replaced by a local firm".

Such a comment indicates a misplaced bias and a total ignorance of the accountancy needs of businesses and the high quality work being carried out by many "local" firms to address those needs.

Against the backdrop of numerous spectacular collapses in recent years and the financial shambles at Lloyds, the majority of which were audited by the big 6 firms or nearly big 6, perhaps you could explain the basis on which you can infer that if a company changes its auditors from one of the big 6 it is one of the "warning signs".

Notwithstanding the misplaced bias of organisations such as yours, my firm is attracting substantial amounts of audit work from the big 6. The companies include plcs which are looking for better customer care, value for money, and a more hands on and pro-active approach which will make them better able to survive the present grim trading conditions.

Big 6 is far from being beautiful!

Keith Seeley,
managing partner,
Latham Crossley & Davis,
Sumner House, St Thomas's Road,
Chorley PR7 1HP

TVS to be sold to US cable group for £40m

By Raymond Snoddy

TVS ENTERTAINMENT, the ITV company which has lost its ITV licence, is to be taken over by a US cable television company in a deal worth nearly £40m.

TVS shares were suspended yesterday at 18¾p in advance of an announcement which was expected in the afternoon. The deal was delayed, however, by prolonged discussions at the Takeover Panel.

If, as expected, the acquisition does finally go ahead it will mean the end of TVS as a separate company.

Apart from a library of programmes and a continuing business as an ITV contractor until the end of December the company's main asset is MTM, the US independent production company and its library of programmes. MTM has been responsible for programmes such as Lou Grant and Hill Street Blues and has recently staged something of a comeback by getting US network runs for programmes like Evening Shade. TVS has already sold its main studios in both the UK and Hollywood.

For some time TVS, which failed to pass the initial quality threshold in last year's competitive tenders for new ITV franchises because its bid of £59.76m was deemed to be too high to be sustainable, has been investigating two different future strategies.

One was to try to rise again from the ashes as a media company by acquiring strategic stakes in other companies. TVS looked at the possibility of buying Carlton Communication's 51 per cent stake in Zenith, the independent producer. But in the end TVS decided it did not have enough money to make significant acquisitions.

The other was to bite the bullet and sell the assets for the best price that could be obtained. The appearance of a serious purchaser tipped the balance strongly in favour of selling out.

TVS declined to comment last night in advance of a ruling by the Takeover Panel or to name the potential purchaser.

It seems likely, however, that shareholders of TVS who have seen the share price fall as low as 3½p, will be offered shares in the new owner plus some cash.

Sun Alliance sells most of 15% CU stake

By Steven Thompson and Andrew Jack

SUN ALLIANCE, the UK composite insurer, finally disposed of most of its near-15 per cent stake in its rival Commercial Union yesterday after several days of speculation that it was trying to sell the shares.

The company was able to take advantage of the rise in equities following sterling's exit from the exchange rate mechanism on Wednesday to sell the shares for more than the purchase price of 465p three years ago.

Sun Alliance sold 60m shares in Commercial Union to Smith New Court, which in conjunction with Cazenove, placed the shares with a number of institutions.

The shares were sold at 470p and placed at 475p, generating a profit of £3m believed to have been equally split between the two securities concerns.

Sun Alliance was rumoured to have put in train an attempted bought deal last Tuesday but it was subsequently abandoned when word of the deal, rumoured to be at 470p a share, leaked into the market.

A bought deal is a bid by a securities house for a block of shares in a company which it takes onto its book on risk and then attempts to place at a profit.

Smith New Court, which has gained a reputation for executing most of the bought deals in the market in recent years, lined up the deal. It had been targetting the CU stake, one of the largest "loose" holdings in the market, for some time. Cazenove and SG Warburg are joint brokers to Sun Alliance.

The bulk of the Sun stake in Commercial Union – or 13% – was acquired in August 1989 from Adelaide Steamship, the investment group then run by Mr John Spalvins, who had built up the holding over 12 months.

The purchase happened when the UK composite insurers feared the prospect of hostile bids from European competitors and built up stakes in each other's companies.

See Lex

Liberty falls sharply as recession bites

By Peter Pearse

PRE-TAX PROFITS at Liberty, the fashion and fabric group, fell sharply, from £1.65m to £648,000, in the six months to August 1, against a background of continuing recession on the high street.

Mr John Pugh, finance director, admitted: "The results are not terrifically exciting, but it has been pretty tough in the UK." However, recent events, which will allow tourists to spend more, "have to be positive for us".

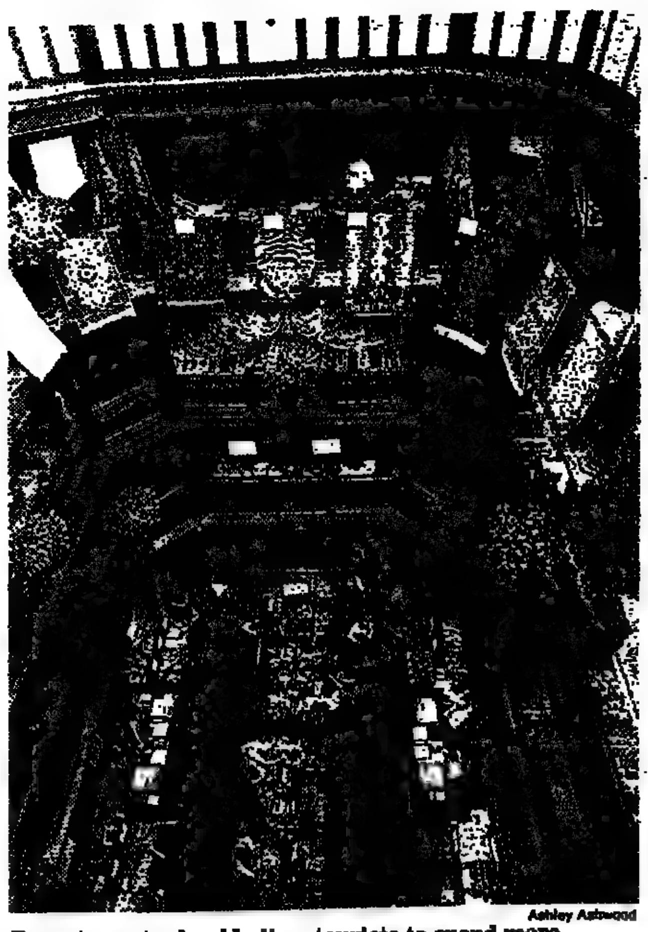
The main reasons for the downturn were doubled losses to £1.11m (£564,000) in retailing where turnover rose some £400,000 to £23.3m, and halved profits to £869,000 (£1.82m) in converting and wholesaling where turnover declined to £8.69m (£11.3m). He said there was a lack of larger ticket sales, like furniture and furnishing fabrics, because of the poor housing market, and a shift away from printed fabrics in the fashion industry.

Mr Brian Myerson, speaking for Concerto Capital Corporation, his family's investment vehicle and owner of 15.6 per cent of Liberty's voting shares, described the performance as "dismal, very disappointing". However, he thought it was "not a company problem – Liberty has enormous potential – but a management problem".

He said the results vindicated his concerns about the way the company was run, concerns he raised in the extraordinary meeting in June when he called for equality of voting rights and the appointment of non-executives to the board. He said he would remain a pro-active investor.

Mr Pugh pointed to the rise in profits – to £538,000 (£492,000) on turnover up at £4.37m (£3.88m) – in the French printing operations, and said that July 1991's rent review was showing a benefit, with rental income growing to £782,000 (£607,000). Debt was cut and gearing reduced from 19 per cent to 7 per cent.

Earnings tumbled to 0.46p (5.13p) per share, but the interim dividend is held at an uncovered 1.85p. Mr Pugh was "not worried at all" by this, pointing to the seasonal bias of the business.



Ashley Ashwood

Recent events should allow tourists to spend more

Sharp downturn at Hornby

By Peter Pearse

SQUEEZED margins and a swing from interest receivable to payable lay behind the sharply reduced pre-tax profits at Hornby Group, the USM-quoted toy, hobby and sports boat manufacturer, in the six months to June 30.

Profits fell to £158,000 (£541,000) pre-tax on increased turnover of £11.8m (£10.3m).

Mr Alan Cox, finance director, explained that the interest turnround from £65,000 credit to £58,000 charge derived partly from lower interest rates in the first quarter when Hornby has cash on deposit, but also from higher seasonal borrowings caused by the investment in Cassy, the new doll concept, and retailers, fearful of overstocking, ordering later.

The November acquisition for £400,000 of the Dell Quay boat range helped Fletcher, the boat-making side accounting for 10 per cent of Hornby turnover, sell more units. However, Mr Cox said the division would still make losses this year, though less than 1991's £450,000.

In its well known branded toys, Mr Cox said that Hornby Railways and Scalextric, the racing car game, had been selling steadily and well. "Brands can sell throughout the year, not just at Christmas."

He added, however, that with new products, like the 6½-inch Cassy and Game Genie, the video game enhancer, quality and price were the important factors.

More than half of Hornby toy sales were through mail order catalogues – "almost an advertising medium", according to Mr Cox – and some 10 per cent of its toys are exported. Cassy is currently only available in the UK, but will be sold into other markets soon on a territory-by-territory basis.

Earnings fell by 3p to 1.2p per share. Again there is no interim dividend, because of the seasonality of the business.

P-E halves dividend after 72% decline

By Paul Taylor

P-E INTERNATIONAL, the management and computer consultancy group, yesterday halved its interim dividend to 1p "in the light of trading conditions," and reported a 72 per cent decline in first-half pre-tax profits which fell from £1.83m to £514,000.

Fee income in the six months to June 30 rose by 6 per cent to £35.5m (£33.6m), but included a contribution from the Handley-Walker group which was acquired in July last year. Trading profits dropped by 58 per cent to £842,000 (£2.01m) while net interest costs increased to £332,000 (£177,000).

Despite the falls Mr George Cox, who took over as chairman in May, said that given the economic conditions "our performance is not unsatisfactory".

He said three factors put the performance in perspective. "Firstly, it shows an improvement on the second half last year. Secondly, this result comes after increased expenditure in the development of the business. Thirdly, we believe our overall performance compares favourably with most of our competitors."

The group restructured its operations and made significant cuts in its cost base towards the end of 1991 taking a £541,000 exceptional charge which contributed to an overall loss in last year's second half.

Mr Cox said that although the group had returned to profitability this year, and improved its gross margins over that second half period, "we have not yet seen the significant improvement in trading performance which would undoubtedly result from an increase in demand".

He expressed confidence that "the considerable effort and cost" already expended this year to reshape the group would allow P-E to perform better in a continued depressed economy, and take advantage of any upturn.

However, he warned that expenditure on reshaping the business, including investing in new products and services and widening the geographic spread of operations, would increase during the second half. "We expect to see significant benefits from these investments in 1993, with some of these benefits possibly arising earlier."

Earnings per share, dropped to 1.5p (8.7p).

Elonex ahead and plans flotation

By Paul Taylor

ELONEX, the privately-owned north London personal computer manufacturer which has grown to become the biggest direct seller of PCs in the UK, yesterday reported sharply higher full year pre-tax profits and turnover, and announced plans to seek a stock market quotation "within the next 24 months."

Pre-tax profits in the year to April 30 increased by 24 per cent to £9.08m (£7.34m), on turnover which grew by 27 per cent to £67.8m (£45.5m).

Net current assets at the six year-old company almost doubled to stand at £10.5m (£5.45m) at the end of the period and capital and reserves grew to £12.4m (£6.64m).

Despite the recession and fierce competition, Elonex has bucked the industry trend increasing the number of employees from 130 in 1991 to over 200 today. Growth has been self-financed and the company's only long term debt is the mortgage on its London headquarters and production site.

However Mr Michael Spiro, finance director, added that after six successive years of growth "we can now start to lay the foundations for publicly quoted status." He said a share flotation "will enable us to assume better control over the production and distribution of Elonex products worldwide, and will provide our staff with a bigger stake in the company's continued success."

Wharfedale makes £4m buy as losses increase to £2.94m

By Roland Rudd

WHARFEDALE, the loudspeaker manufacturer, yesterday announced an agreed £4m takeover of Centralforce Holdings which owns the Mission and Cyrus brand names for loudspeakers and electronics. The loss-making Leeds-based company is raising £5m through a placing and open offer on a 12-for-11 basis at 10.5p per share. Its shares yesterday closed at 11p.

The name of the merged company is being changed to Verity Group.

Wharfedale separately announced that its pre-tax deficit had risen to £2.94m (£1.22m) for the year ended June 30. The outcome was struck after an exceptional charge of £915,000 (£129,000) covering reorganisation and rationalisation costs.

Centralforce is owned by Mr Farad Azima and his family. Mr Azima, who will join the merged company's board, will receive £4m of which £3.06m will be cash and the balance in shares. He will also receive 10m warrants to subscribe for one new share each at 16p, exercisable between January 1 1994 and December 31 1996.

Turnover fell to £8.6m (£11.3m). Losses per share were 9.1p (7.9p).

There was an extraordinary charge of £361,000 related to costs incurred in closing its hi-fi electronics division and metal-working factory.

City Site passes pref dividend

By Vanessa Houlder, Property Correspondent

City Site Estates, the Glasgow-based property investment company, yesterday announced that it would pass its preference dividends because of insufficient distributable reserves. Its share price dropped from 24p to close at 9p.

The company said it was planning to transfer some of its share premium to distributable reserves to allow dividend payments to start again as soon as possible.

The dividend on its 10 per cent preference shares and 5.5 per cent preference shares was due to be paid on September 30.

In July, the company announced it had returned to pre-tax profit of £190,000 in the half year ended March 31 1992, compared with a loss of £1.99m for the same period the year before. It passed the interim dividend on its ordinary shares.

Macallan-Glenlivet down by 15% to £2.84m

By Roland Rudd

MACALLAN-Glenlivet, the Scotch whisky distiller, reported a 15 per cent fall in pre-tax profits for the half year to June 30, because of reduced demand for new whisky from blenders.

Profits fell to £2.84m (£3.33m) on reduced sales of £6.83m (£8.18m).

Operating profit fell to £2.36m (£2.86m) as demand for new fillings from blending customers fell by 36 per cent.

Sales of the company's own brand, the Macallan single malt, increased by 17 per cent, widening its international distribution.

Mr Phillips expected overseas sales, particularly in Italy, to remain buoyant. "The devalued pound should make it easier to export," he said.

"Despite poor conditions in the domestic market, the board expects profits for the full year will be close to those of last year," he stated.

Pre-tax profits in 1991 increased by 10 per cent from £6.69m to £7.38m.

Midterm earnings per share fell to 1.77p (2.34p). The interim dividend was increased to 0.3p (0.25p)

Chairman resigns from Taylor Woodrow

By Andrew Taylor, Construction Correspondent

MR PETER Hedges yesterday resigned as chairman of Taylor Woodrow Property, one of the construction company's biggest divisions.

It is the latest in a series of senior management changes at the group which incurred a £16m pre-tax loss in the first six months of this year.

Taylor Woodrow said that Mr Hedges, 49, was leaving "to pursue other interests in management, property investment and industry."

Mr Hedges is thought to have been a candidate for the chairmanship of Taylor Woodrow, which was given to Mr Colin Parsons following the departure in March of former chairman, Mr Peter Drew.

One of the first acts of Mr Parsons was to dismantle a top heavy senior management structure which included two deputy chairmen and three joint managing directors.

Mr Hedges, although he retained his power base as head of one of the group's important division, was stripped of his titles of group deputy chairman and joint managing director.

Creston loss at £1m

Increased pre-tax losses of £1.09m against £564,0000 were announced by Creston for the year to June 30. Group turnover fell to £8.89m (£14.3m).

The group is pursuing a policy of reducing the size of operations and releasing working capital. At the year end it had no bank borrowings.

Losses per share increased to 5.68p (2.82p).

DIVIDENDS ANNOUNCED

Breedon	int	1.75p	Oct 30	1.75	-	4.6
Fired Earth	int	nil	-	1.625	-	4.025
Fisher (James)	int	0.5	Nov 12	2	-	5.5
Liberty	int	1.85	Nov 12	1.85	-	7.2
Macallan-Glen	int	0.3	-	0.25	-	0.762
P-E Intl	int	1	Oct 30	2	-	6.2
Schroders	int	6	Nov 5	5	-	16
Sheffield Insul	int	1.8	Nov 16	1.8	-	5.4
Whinney M-Lewis§	fin	nil	-	1.25	nil	2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	99	90	Birkby	92	+2	L5.25	–	7.6	–
100	F.P.	–	118	95	Broadgate Inv Trust	95		–	–	–	–
–	F.P.	–	33	30	Do. Warrants	33		–	–	–	–
–	F.P.	–	12	7	Dartmoor Warrants	12	+2	–	–	–	–
–	F.P.	–	32	19	Dwyer A	19		–	–	–	–
–	F.P.	–	91	79	European Smaller Co's	81	+1	–	–	–	–
–	F.P.	–	23	18	Do. Warrants	19		–	–	–	–
–	F.P.	–	150	145	Finsbury Smlr Co's Zero Pf	148¼	+1½	–	–	–	–
♦	F.P.	–	495	490	SHIRESCOT	495		–	–	–	–
■	F.P.	–	1700	1700	TP Technology Units	1700		30.15	–	2.4	–
–	F.P.	–	14	10	Throg 1000 Smlr Co's Wts	11		–	–	–	–
–	F.P.	–	16	12	Yorkshire TV Warrants	13		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105¼p	Falcrum Inv Tst Zero Div Pf	107¼p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
115	Nil	22/10	2pm	1pm	Bibby	1pm	
5	Nil	5/10	1pm	1pm	§Embassy Property	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. o Forecast or estimated annualised dividend rate, cover based on previous year's earnings. v Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of capitalisation. ‡ Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div Prefs. and 4 Stepped Pref shares. ♦ Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Sept. 14
- Last Dealings Sept. 21
- Last Declarations Dec. 10
- For settlement Dec. 21

3-month call rate indications are shown on page 13.

Calls in Betterware, Clarke Foods, Crown Eyeglass, Northern Foods and Premier Cons. Puts in Kalon and Stag Furniture. Doubles in ASDA, BET, Pelon and George Wimpey.

NEWS DIGEST

Jas Fisher warns of downturn

JAMES FISHER and Sons, the shipping and port operator, raised operating profits from £1.9m to £2.26m for the first half of 1992, but warned that with a second half trading loss anticipated, the full year figure would be lower than before.

With no sign of any improvement in trading conditions, the company said it was no longer appropriate for the dividend level to be geared to its medium and long term prospects and has cut its interim payment from 2p to 0.5p.

Turnover rose to £17.53m (£14.89m). Shipping services contributed £1.92m (£1.28m) to profits, but the shipping finance side was lower at £443,210 (£670,318) and losses from port operations increased to £108,731 (£43,563).

Earnings per share dropped from 6.4p to 4.95p.

Sharp decline at Fired Earth Tiles

Fired Earth Tiles, the specialist tiles retailer, reported a sharp decline in pre-tax profits from £136,000 to £6,000 for the six months to July 2 1992, and has omitted its interim dividend.

Mr Nicholas Kneale, the chairman, stressed that the protection of the balance sheet was of the utmost importance. Although he said gearing was a modest 17 per cent, this was a deterioration from the previous year's 10 per cent. Net assets per share were currently 40p.

The start of the year was particularly depressed with a combined loss of around £150,000 in January and February, but since then there had been steady, if unimpressive monthly profits, Mr Kneale said.

Trading on a monthly basis remained difficult, but the company intended to review the level of final dividend when full year results were available. Last year, a 1.625p interim was followed by a 2.4p final.

First-half turnover was static at £2.46m and there were nil earnings per share (1.79p).

Perloff raises Etonbrook stake

Mr Andrew Perloff, and companies acting in concert with him, have increased their stake in Etonbrook Properties to 18.75 per cent, the largest single holding in the former BES company which came to the market last year.

The increase involved Mr Perloff and Panther Securities, of which he is a shareholder, purchasing 15,000 Etonbrook shares.

Last month Mr Perloff failed to secure a seat on the board for himself and Mr Malcolm Bloch. At that time his concert party spoke for 15 per cent of Etonbrook.

However the concert party was able to defeat a proposal by Etonbrook to repay its preference shares which would have allowed the company to make a 25p per share capital repayment and pay a 2.75p dividend.

Haslemere Ests climbs to £6.9m

Haslemere Estates, the property investor and developer, reported pre-tax profits up from £5.27m to £6.9m in the first half of 1992. The result was helped by lower interest charges of £7.87m (£10.3m).

Turnover was £22.5m (£23.9m) with a further £16.2m (£17m) net rental from investment properties. Earnings per share were 22.79p (15.2p).

Schroders ahead at interim stage

Schroders, the merchant banking group, said profits for the first half of 1992 were higher than in the same period last year.

Mr George Mallinckrodt, chairman, said that all three areas of the group's business – corporate finance, fund management and treasury and trading – had performed well.

Schroders does not disclose detailed interim figures, but net profits for the whole of 1991 were higher at £52.1m (£31.6m).

The interim dividend has been raised by 20 per cent to 6p (5p), but the company said that did not of itself imply any increase in the final for 1992.

Breedon reduced to £1m midway

Pre-tax profits of Breedon, the quarrying and building group, fell from £1.65m to £1.04m in the half year to July 31. Included in the result last time was a £59,000 loss on disposal of non-trading assets.

The company said that trading during the period had been the most difficult it had ever experienced. Conditions in the construction industry remained at an all time low, with no sign of improvement. However, both its quarrying and housebuilding sides remained profitable.

Turnover fell to £4.94m (£5.23m). Earnings per share came through lower at 2.45p (3.86p) but the dividend is maintained at 1.75p.

Acsis deficit cut in first half

Acsis Group, the healthcare and interior contracting concern, cut pre-tax losses from £1.32m to £285,000 for the first half of 1992.

Mr Ephraim Barsam, chairman, said that during the period, NMS, the international healthcare company, operated profitably and increased the number of nurses working. However, the poor economic climate in California – one of the major markets – has slowed the rate of growth.

The continuity sales division traded profitably and was successful in reducing stock levels. The interior contracting side incurred a loss, but won significant new contracts valued in excess of £2m which has improved its order book for the second half.

Mr Barsam pointed out, however, that the group's performance was largely dependent upon exchange rates as a substantial part of its earnings and debt were denominated in US dollars.

Turnover for the period dropped from £15.61m to £8.58m. Losses per share were 0.04p (0.7p) and there is again no interim dividend.

Losses at Whinney Mackay-Lewis

Whinney Mackay-Lewis, the USM-quoted architectural practice, fell into the red in the second half leaving it with a full year pre-tax loss of £435,000, compared with profits of £576,000.

The company blamed difficult trading and the postponement of two important projects. Included in the loss were "significant" redundancy costs and an exceptional refurbishment charge of £163,000.

On prospects the company said that the prolonged recession in the construction industry was making it difficult for any business in the sector to look forward with confidence.

Turnover for the year to April 30 was lower at £5.68m (£7.86m). Losses per share were 5.1p (earnings 5.1p). After the passing of the interim dividend directors are not recommending a final. Last year there was a total of 2p.

Correction

Alex Proudfoot

The directors of Alexander Proudfoot, the management consultant, stated their intention to maintain the final dividend at 13.5p, and not 6p as stated in the FT yesterday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 19.09.92: Pool purchase price £/MWh	Final Prices for Trading on 22.08.92: Pool purchase price £/MWh	Final Prices for Trading on 22.08.92: Pool selling price £/MWh
0030	20.08	19.97	21.93
0100	20.04	19.60	21.57
0130	17.58	19.60	21.58
0200	20.04	19.60	21.59
0230	20.04	19.60	21.60
0300	20.04	19.60	21.64
0330	17.56	19.60	21.64
0400	17.68	17.58	17.68
0430	17.62	17.58	17.58
0500	17.52	17.68	17.58
0530	17.56	19.28	21.27
0600	17.58	19.28	21.28
0630	17.68	19.28	21.38
0700	17.63	19.28	21.45
0730	20.29	19.88	22.04
0800	23.31	19.97	22.06
0830	24.49	22.69	24.82
0900	24.49	22.16	24.26
0930	28.01	23.88	28.02
1000	28.01	24.38	28.52
1030	28.01	24.38	28.48
1100	28.01	24.38	28.45
1130	26.02	24.36	28.48
1200	24.49	24.38	28.45
1230	24.49	24.38	28.45
1300	24.12	23.88	25.96
1330	23.31	23.57	25.65
1400	17.78	22.18	24.22
1430	17.71	22.18	24.22
1500	17.69	20.82	22.81
1530	17.68	17.76	17.76
1600	17.68	17.76	17.76
1630	17.68	17.78	17.78
1700	17.73	22.18	24.21
1730	22.43	22.18	24.21
1800	22.69	22.18	24.21
1830	22.69	22.18	24.21
1900	24.75	21.10	23.09
1930	24.18	21.10	23.10
2000	28.67	21.10	23.10
2030	28.67	21.23	23.23
2100	28.67	23.08	26.12
2130	24.75	22.18	24.21
2200	24.75	25.66	27.81
2230	24.75	21.23	23.23
2300	21.25	21.10	23.10
2330	20.29	20.09	22.08
2400	20.29	19.97	21.95

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

ECONOMIC DIARY

TODAY: Mr Norman Lamont, chancellor of the exchequer, attends G7 finance ministers meeting in Washington before IMF meeting (until Tuesday). World Economic Development Congress in Washington.
TOMORROW: France holds referendum on ratification of the Maastricht treaty on European union. G10 finance ministers meeting.
MONDAY: International Atomic Energy Agency general conference in Vienna (until September 25). World Energy Congress begins in Madrid (until September 25). European Community agriculture council starts two-day meeting Brussels.
TUESDAY: Balance of payments current account and overseas trade figures (August). US housing starts, building permits (August). Annual meeting of IMF/World Bank in Washington. European Community internal trade ministers meet in Brussels to discuss outstanding legislation to create single EC market. Italy is expected to rejoin the ERM. Mr Fernando Collor, president of Brazil, to present his defence against corruption charges.
WEDNESDAY: Building societies monthly figures (August). Cross-border acquisitions and mergers (second quarter). New construction orders (July-provisional). Gross domestic product (second quarter) (including analyses of expenditure, income and output components). Federal Reserve releases "Beige Book" outlining US economic trends.
THURSDAY: Institutional investment (second quarter). New earnings survey 1992 Part A: streamlined and summary analyses; description of the survey. Energy trends (July). US jobless claims; real gross domestic product (final-second quarter); Import/export price indices (August). Recall of Parliament to debate economy. Summit of CIS heads of state and government in Bishkek, Kyrgyzstan.
FRIDAY: US durable goods (August).

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Friday September 18 1992 Index No	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Thu Sep 17 Index No.	Wed Sep 16 Index No.	Tue Sep 15 Index No.	Year ago (approx) Index No	1992 High	1992 Low	Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (175)	761.59	+4.1	7.65	5.83	16.86	22.52	731.78	686.07	695.30	855.28	929.04 20/5	664.23 9/9	1038.07 16/7/87	50.71 13/12/74
2 Building Materials (23)	737.26	+4.6	7.10	7.46	19.57	27.19	704.57	643.33	662.33	1080.36	1121.52 11/5	617.65 9/9	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (27)	574.52	+4.0	4.41	9.32	75.55	25.74	552.31	491.45	515.01	1170.72	1069.64 11/5	485.72 9/9	1951.50 16/7/87	71.48 2/12/74
4 Electricals (9)	2116.89	+2.6	7.94	7.11	16.66	74.93	2063.28	1899.78	1975.30	2653.97	2758.50 22/5	1899.78 16/9	3040.80 8/9/89	84.71 25/6/62
5 Electronics (27)	1973.07	+3.3	8.19	4.37	15.23	46.63	1910.59	1875.66	1894.36	1776.69	2080.64 13/5	1655.93 13/1	2308.22 19/5/89	1229.01 8/10/85
6 Engineering-Aerospace (6)	307.72	+3.3	11.72	8.47	10.83	13.53	297.92	279.43	285.82	377.43	406.10 20/5	279.43 16/9	502.42 13/6/90	279.43 16/9/92
7 Engineering-General (43)	465.54	+5.3	8.69	5.16	14.68	13.00	442.17	413.55	418.50	496.92	567.62 20/5	409.31 9/9	567.62 20/5/92	339.57 23/1/91
8 Metals and Metal Forming (7)	312.45	+4.3	5.56	7.00	26.14	7.30	299.45	272.16	274.82	457.32	379.31 18/5	255.51 8/9	596.67 9/10/87	49.65 6/1/75
9 Motors (14)	316.70	+4.7	8.41	7.46	15.63	14.02	302.36	278.27	285.10	364.77	403.06 21/5	274.42 1/9	411.42 13/10/87	19.91 6/1/75
10 Other Industrial Materials (19)	1761.94	+3.9	7.12	4.73	16.96	41.12	1696.58	1596.84	1596.81	1610.28	1906.65 11/5	1480.17 9/9	1906.65 11/5/92	277.55 15/1/81
21 CONSUMER GROUP (191)	1610.03	+4.1	7.15	3.60	17.33	20.51	1545.80	1489.42	1489.26	1559.75	1761.38 11/5	1446.17 25/8	1761.38 11/5/92	61.41 13/12/74
22 Brewers and Distillers (25)	1997.34	+2.8	8.35	3.69	14.45	37.64	1942.47	1871.73	1841.47	1950.74	2278.85 11/5	1825.24 28/8	2278.85 11/5/92	69.47 13/12/74
25 Food Manufacturing (19)	1186.11	+4.0	9.03	4.46	13.68	26.54	1140.92	1096.18	1085.74	1230.56	1327.80 11/5	1064.95 10/9	1327.80 11/5/92	59.67 11/12/74
26 Food Retailing (18)	2601.38	+5.2	9.41	3.51	13.84	47.40	2472.52	2433.72	2509.37	2552.32	2998.16 18/5	2293.80 10/1	2998.16 18/5/92	54.25 11/12/74
27 Health and Household (25)	4377.53	+3.6	5.06	2.53	22.92	42.46	4226.85	4111.83	4005.53	3718.76	4654.94 14/1	3648.63 26/8	4654.94 14/1/92	175.38 28/5/80
29 Hotels and Leisure (18)	1052.09	+8.5	7.65	6.51	17.07	38.39	969.46	898.80	928.97	1357.47	1450.36 13/5	898.80 16/9	1845.77 8/9/89	54.83 9/1/75
30 Media (26)	1569.59	+2.7	6.25	3.36	19.97	29.64	1528.09	1447.58	1459.61	1565.67	1721.09 11/5	1376.55 25/8	1721.09 11/5/92	1166.91 16/1/91
31 Packaging, Paper & Printing (17)	696.23	+4.3	7.29	4.65	17.08	18.71	667.64	633.17	640.05	763.63	875.53 13/5	633.17 16/9	875.53 13/5/92	43.46 6/1/75
34 Stores (34)	1020.90	+5.8	6.94	3.67	19.24	17.95	965.24	938.23	966.27	988.11	1135.66 27/4	907.08 25/8	1160.58 29/7/87	52.63 6/1/75
35 Textiles (9)	649.22	+3.3	7.26	4.72	17.33	16.10	628.77	584.33	572.16	632.52	756.70 8/5	551.94 25/8	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (117)	1269.25	+2.9	9.86	5.35	12.70	38.14	1233.73	1202.04	1201.02	1287.70	1359.32 11/5	1140.56 3/4	1359.32 11/5/92	58.63 6/1/75
41 Business Services (17)	1330.34	+4.1	6.74	3.93	18.20	21.54	1277.94	1209.81	1204.61	1428.08	1511.16 11/5	1160.34 1/9	1511.16 11/5/92	892.28 1/2/91
42 Chemicals (22)	1367.05	+3.0	7.18	5.31	17.28	46.24	1327.31	1276.97	1264.23	1437.14	1629.99 8/5	1243.05 1/9	1629.99 8/5/92	71.20 1/12/74
43 Conglomerates (10)	1303.96	+3.7	8.86	8.44	14.44	37.23	1257.97	1174.58	1170.51	1537.51	1509.94 11/5	1087.92 2/9	1819.46 11/8/89	975.19 10/11/87
44 Transport (14)	2430.93	+4.3	8.27	4.86	14.88	56.22	2331.31	2204.91	2262.26	2352.54	2790.11 20/5	2133.26 26/8	2790.11 20/5/92	90.80 29/6/62
45 Electricity (16)	1368.27	+1.0	15.20	5.36	8.48	52.88	1354.54	1362.01	1361.39	1273.02	1415.24 11/9	1044.63 7/4	1415.24 11/9/92	994.96 7/1/91
46 Telephone Networks (4)	1428.70	+3.2	10.58	4.62	12.32	46.15	1384.33	1376.72	1375.36	1562.51	1505.86 22/5	1274.20 3/4	1658.67 2/10/91	517.92 30/11/84
47 Water (11)	2789.02	+0.7	16.06	6.20	6.89	86.85	2770.62	2822.89	2876.83	2479.83	2963.70 26/8	2140.95 8/4	2963.70 26/8/92	1820.20 1/5/90
48 Miscellaneous (23)	2143.55	+3.1	6.17	4.71	20.31	54.03	2079.35	1996.72	1961.80	1852.14	2167.85 11/5	1770.94 3/1	2167.85 11/5/92	60.39 6/7/75
49 INDUSTRIAL GROUP (483)	1288.57	+3.7	8.11	4.55	15.44	30.59	1242.32	1195.79	1198.09	1301.27	1427.97 11/5	1168.49 1/9	1427.97 11/5/92	59.01 13/12/74
51 Oil & Gas (17)	1986.90	+1.4	6.79	6.54	19.30	69.56	1959.47	1891.57	1840.13	2387.35	2226.66 2/1	1756.72 7/8	2528.70 3/8/90	87.23 29/5/62
59 500 SHARE INDEX (500)	1355.09	+3.5	7.98	4.75	15.76	33.75	1309.48	1260.81	1259.43	1395.44	1493.99 11/5	1228.86 26/8	1493.99 11/5/92	63.49 13/12/74
61 FINANCIAL GROUP (83)●	729.72	+3.0	-	6.04	-	27.63	708.53	654.62	672.59	832.08	802.65 20/5	631.13 25/8	896.67 13/10/87	55.88 13/12/74
62 Banks (9)●	1010.98	+2.2	5.15	5.50	29.14	39.95	989.32	894.04	921.12	960.02	1026.34 20/5	790.95 3/4	1026.34 20/5/92	62.44 12/12/74
65 Insurance (Life) (6)	1519.93	+6.5	-	5.97	-	45.47	1427.40	1380.20	1416.91	1611.02	1613.38 21/5	1243.61 6/4	1632.53 4/9/91	44.88 2/1/75
66 Insurance (Composite) (7)	489.62	+2.0	-	6.14	-	16.37	480.10	447.89	461.68	641.34	564.54 13/5	418.66 27/7	768.11 29/12/89	43.96 13/12/74
67 Insurance (Brokers) (10)	660.77	+2.9	10.81	8.47	12.14	39.26	641.91	591.95	594.43	1163.59	1031.35 27/1	527.43 25/8	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (7)	436.42	+5.3	-	4.96	-	12.37	414.56	409.27	412.48	477.34	521.89 22/5	395.41 28/8	547.59 12/10/87	31.21 7/1/75
69 Property (30)	515.70	+3.9	10.95	8.63	12.11	22.22	496.46	464.71	479.32	969.23	799.69 20/1	464.71 16/9	1398.87 5/9/89	56.01 20/4/65
70 Other Financial (14)	232.33	+2.8	8.60	7.08	15.28	7.29	225.90	217.71	219.77	269.17	271.79 26/5	215.81 2/9	603.48 16/7/87	33.29 17/12/74
71 Investment Trusts (70)	1122.71	+2.0	-	4.00	-	25.50	1100.50	1048.92	1062.78	1247.84	1273.08 11/5	1024.12 25/8	1323.81 4/1/90	71.12 13/12/74
99 ALL-SHARE INDEX (653)●	1204.37	+3.4	-	4.90	-	31.83	1164.96	1115.60	1118.69	1258.72	1326.36 11/5	1086.13 25/8	1326.36 11/5/92	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 17	Sep 16	Sep 15	Sep 14	Sep 11	Year ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX§	2567.0	+83.1	2577.7	2483.2	2483.9	2378.3	2370.0	2422.1	2370.9	2600.3	2737.8 11/5	2281.0 25/8	2737.8 11/5/92	986.9 23/7/84

FIXED INTEREST

PRICE INDICES	Fri Sep 18	Day's change %	Thu Sep 17	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (22)	123.56	+0.63	122.79	2.35	8.79
2 5-15 years (25)	137.93	+0.63	137.37	1.65	10.38
3 Over 15 years (8)	146.91	+0.17	146.66	1.04	9.97
4 Irredeemables (6)	169.05	+0.77	167.76	3.00	8.83
5 All stocks (61)	135.71	+0.58	135.09	1.86	9.95
Index-Linked					
6 Up to 5 years (2)	171.11	+1.50	168.58	0.34	3.25
7 Over 5 years (10)	147.86	+0.75	146.76	0.68	3.64
8 All stocks (12)	149.89	+0.86	148.61	0.63	3.56
9 Debs & Loans (63)	119.32	+0.38	110.87	2.22	8.69

AVERAGE GROSS REDEMPTION YIELDS		Fri Sep 18	Thu Sep 17	Year ago (approx.)	1992 High	1992 Low
British Government						
1 Low	5 years	8.25	8.42	8.49	10.03 15/9	7.91 1/6
2 Coupons	15 years	8.64	8.71	9.27	9.72 1/4	8.63 14/9
3 (0%-7¾%)	20 years	8.77	8.81	9.27	9.72 1/4	8.63 14/9
4 Medium	5 years	9.02	9.20	9.56	10.28 1/4	9.01 3/7
5 Coupons	15 years	9.10	9.13	9.41	9.82 1/4	8.84 1/6
6 (8%-10¾%)	20 years	9.08	9.10	9.36	9.76 1/4	8.76 14/9
7 High	5 years	9.32	9.46	9.75	10.50 1/4	9.22 3/7
8 Coupons	15 years	9.37	9.47	9.50	9.96 1/4	9.00 22/5
9 (11%-)	20 years	9.37	9.47	9.42	9.86 1/4	8.94 14/9
10 Irredeemables	†	9.08	9.14	9.49	9.92 2/4	8.85 14/9
Index-Linked						
11 Inflation rate 5%	Up to 5yrs.	4.37	4.81	3.93	5.06 16/9	3.52 4/3
12 Inflation rate 5%	Over 5 yrs.	4.57	4.62	4.22	4.76 16/9	4.27 17/2
13 Inflation rate 10%	Up to 5 yrs.	3.56	3.99	3.29	4.23 16/9	2.86 4/3
14 Inflation rate 10%	Over 5 yrs.	4.37	4.42	4.03	4.56 16/9	4.07 17/2
15 Debs &	5 years	10.57	10.68	11.27	11.51 6/4	10.30 8/6
16 Loans	15 years	10.47	10.54	10.96	11.22 6/4	10.07 1/6
17	25 years	10.37	10.41	10.72	11.02 6/4	9.98 1/6

§Opening index 2483.4; 9 am 2535.4; 10 am 2547.2; 11 am 2524.1; Noon 2521.3; 1 pm 2557.6; 2 pm 2572.1; 2.30 pm 2562.6; 3 pm 2557.5; 4.10 pm 2552.8; (a) 1.52pm (b) 8.31am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Business Services	31/12/90	999.65	Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Engineering - Aerospace	29/12/89	486.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
Engineering - General	29/12/89	486.00	Other Groups	31/12/74	63.75	British Government	31/12/75	100.00
Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Conglomerates	31/12/86	1114.07	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London, SE1 9HL. Tel: 071-873 4613. ●The HSBC dividend is not subject to Advance Corporation Tax at 25%.

LIFFE EQUITY OPTIONS

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Alld Lyons (*617)	600	32	45	63	12	25	28
	650	10	26	38	40	50	57
	700	3½	11	22	85	89	89
ASDA (*30)	25	6	7½	9	1½	2	3½
	30	3	5	6	3½	5	6
	35	1	3½	4½	8	7	9
Brit. Airways (*282)	280	15	24	32	11	19	23
	300	6	17	23	23	30	34
	330	2½	7	13	48	53	55
SmKl Beecham A (*550)	550	22	40	51	16	27	43
	600	5	18	28	54	58	62
Boots (*461)	460	18	32	43	16	26	30
	500	5	16	25	45	52	54
B.P. (*214)	200	19	25½	30	6	10	12
	220	8	15	19½	12	18	21
British Steel (*63)	60	7	10	12	4	6	7½
	70	3½	6	7½	9	12	13½
Bass (*550)	550	23	38	49	27	30	47
	600	6	17	28	69	60	82
C & Wire (*582)	550	93	101	111	3	7	11
	600	16	33	47	29	38	47
Courtaulds (*472)	460	27	40	53	11	23	28
	500	9	23	33	35	44	49
Com. Union (*487)	460	41	50	67	6	14	18
	500	12	27	37	22	28	43
Fisons (*189)	180	21	35	39	11	22	26
	200	11	23	31	22	33	37
GKN (*407)	390	27	41	47	8	16	24
	420	9½	24	30	22	29	37
Grand Met. (*448)	390	66	77	80	2½	7	12
	460	41	38	37	55	35	40
I.C.I. (*1136)	1100	65	105	117	18	32	57
	1150	30	72	92	40	55	79
Kingfisher (*501)	500	22	42	54	21	30	35
	550	5½	21	32	57	63	67
Ladbroke (*169)	160	14	23	26	10	17	23
	180	6	15	18	23	28	34
Land Secur (*384)	360	30	35	42	5	13	11
	390	12	18	26	17	45	47
M & S (*326)	300	34	23	47	5	9	13
	330	13	22	31	14	23	24
Sainsbury (*423)	420	20	31	41	11	22	25
	460	5½	15	22	42	45	42
Shell Trans. (*531)	500	34	47	50	6	12	18
	550	5½	18	23	32	35	45
Storehouse (*143)	140	8	16	19	7	12	15
	160	3	6½	11	18	23	25
Trafalgar (*45)	45	6	9	10	5	10	14
	50	3	7	8	11	15	17
Utd. Biscuits (*302)	300	13	23	28	13	19	27
	330	6	12	16	36	39	45
Unilever (*1052)	1050	34	59	68	32	45	65
	1100	15	28	117	18	32	57

Option		Nov	Feb	May	Nov	Feb	May
Brit Aero (*192)	180	30	41	44	16	23	30
	200	20	31	36	28	35	42
	220	14	24	24	42	49	52

Option		CALLS Nov	CALLS Feb	CALLS May	PUTS Nov	PUTS Feb	PUTS May
BAA (*685)	600	99	109	122	3½	8	12
	650	57	71	87	13	23	26
	700	25	43	58	35	43	49
BAT Inds (*833)	800	63	87	91	20	31	43
	850	36	59	64	38	52	68
	900	18	38	-	77	84	-
BTR (*474)	460	23	39	48	16	32	29
	500	8	20	31	41	47	52
	550	2	8	16	89	89	89
Brit. Telecom (*345)	330	26	33	38	6	11	15
	360	10	17	23	21	26	28
Cadbury Sch (*479)	460	34	49	56	13	19	28
	500	14	28	33	35	40	49
Eastern Elec (*352)	350	20	30	37	13	19	23
	370	11	20	28	24	30	33
Guinness (*520)	500	45	59	67	19	20	28
	550	15	32	40	43	49	50
GEC (*236)	220	23	28	34	4	6½	8
	240	10	15½	21	10½	15	17
Hanson (*225)	220	15	19½	23	7	11	14
	240	5	11	15	19	22	24
LASMO (*146)	140	18	25	28	10	15	18
	160	9	17	19	22	26	30
Lucas Inds (*94)	90	11	15	17	10	14	16
	100	6	10	13	17	21	23
P. & O. (*360)	360	23	30	43	37	53	62
	390	15	20	30	72	75	89
Pilkington (*89)	80	5½	18	19	5½	8	13
	90	6½	11	17	11	14	19
Prudential (*264)	260	15	22	21	16	18	29
	280	4	12	12	32	42	42
R.T.Z. (*625)	600	40	65	68	17	25	34
	650	12	36	43	47	54	62
Scot. & New (*419)	390	41	50	60	5	11	15
	420	23	35	42	16	22	26
Tesco (*221)	220	13	21	25	12	16	20
	240	6	13	16	25	28	31
Thames Water (*419)	390	38	43	51	6	8½	13
	420	17	24	32	17	20	25
Vodafone (*328)	300	42	50	57	7	15	20
	330	23	33	40	19	28	33

Option		Dec	Mar	Jun	Dec	Mar	Jun
Abbey Nat. (*302)	280	34	42	32	6	17	19
	300	21	30	22	10	27	30
	330	10	10	-	52	52	-
Amstrad (*22)	15	9	9	11	1½	2	3
	20	5½	7	7	3	4	4½
	25	3	4	5½	6	7	7
Barclays (*341)	330	35	45	48	13	24	25
	360	15	29	27	30	38	45
	390	8	19	-	42	55	-
Blue Circle (*172)	140	36	42	44	6½	10	14
	160	22	30	32	14	18	22
	180	10	22	16	25	29	-
British Gas (*234)	220	19	26	28	7	9½	13
	240	9	15	16	18	19	23
Dixons (*213)	200	29	36	42	9	14	16
	220	17	24	31	17	22	26

Option		CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
Eurotunnel (*410)	390	52	67	77	23	35	38
	420	38	53	65	40	50	58
Glaxo (*836)	800	77	97	120	38	52	63
	850	50	71	94	64	77	88
Hillsdown (*84)	80	15	19	23	12	16	21
	90	10	15	19	18	22	27
Lonrho (*69)	60	15	17½	19	3	5½	7
	70	9	13	14½	7½	9½	11
HSBC 75p shs (*386)	360	42	52	59	15	24	28
	390	28	37	45	30	38	42
National Power (*259)	240	30	35	41	6	10	12
	260	18	24	30	13	18	20
Reuters (*1226)	1200	80	118	137	75	87	95
	1250	77	90	112	80	117	123
[illegible] (*140)	140	12	17	19	8	13½	16
	160	5	8	69	21	25	6
Scottish Power (*184)	180	13	15	17	4½	8	9
	190	8	-	-	9½	-	-
Sears (*64)	60	10	11	13	4½	6	8½
	70	5½	7	8	8½	11	13
Forte (*156)	140	23	30	33	10½	15	22
	160	11	20	23	21	25	32
Thorn EMI (*714)	700	50	65	78	25	34	41
	750	25	40	54	52	59	65
TSB (*140)	140	13	15	19	10	14	14
	160	4	7	11	22	26	27
Vaal Reefs (*$33)	30	6	6½	7	1½	3	4
	35	4	4	5	4	6	6
Wellcome (*927)	900	77	95	100	42	64	65
	950	46	70	77	67	95	90

EURO FT-SE INDEX (*2553)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Sep	173	122	73	23	1	1	1	1
Oct	220	175	135	100	75	50	35	25
Nov	-	205	-	135	-	85	-	-
Dec	-	230	-	160	-	100	-	65
Mar	-	265	-	205	-	145	-	105
Jun	-	-	-	-	-	170	-	140
PUTS								
Sep	1	1	1	1	29	79	129	179
Oct	24	30	45	60	80	105	140	188
Nov	-	50	-	80	-	125	-	-
Dec	-	50	-	80	-	120	-	175
Mar	-	70	-	95	-	125	-	180
Jun	-	-	-	-	-	-	-	-

FT-SE INDEX (*2553)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Sep	148	98	48	1	1	1	1	1
Oct	195	155	120	85	63	45	28	18
Nov	228	190	157	125	100	75	55	40
Dec	245	207	175	142	115	90	65	50
Jun †	320	-	255	-	210	-	155	-
PUTS								
Sep	1	1	1	3½	53½	103	153	203
Oct	25	38	50	65	90	120	160	203
Nov	40	50	65	85	110	140	173	212
Dec	55	50	75	90	110	-	-	-
Jun †	80	-	105	-	130	-	-	-

September 18 Total Contracts 73,385
Calls 46,755 Puts 26,630
FT-SE Index Calls 18,179 Puts 10,707
Euro FT-SE Calls 2,892 Puts 5,548
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	43	Charter Cons.	40	Ladbroke	17	Sears	7	■ OILS	
Amstrad	4	Comm Union	42	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	12
Astec (BSR)	3	Courtaulds	33	Lex Service	18	TI	50	BP	16
BAT Inds	54	Eurotunnel	32	Lloyds Bank	31	TSB	11	Burmah Castrol	39
BOC	49	FKI	6	Lonrho	9	Tesco	17	Conroy Pet	6
BTR	32	FNFC	6	Lucas Inds	10	Thorn EMI	51	Gaelic Res	½
Barclays	24	Forte	17	Marks Spencer	22	T & N	11½	Premier Cons	2½
Blue Circle	18	GKN	31	Midland Bank	30	Unilever	70	Shell	33
Boots	34	Gen Accident	38	NatWest Bank	22	Vickers	12	Tusker Res	½
Bowater	58	GEC	17	P & O Dfd	33	Wellcome	70	■ MINES	
Brit Aerospace	30	Glaxo	58	Racal Elect	6	■ PROPERTY		RTZ	39
British Steel	6	Grand Met	29	RHM	14	Brit Land	17		
BT	25	GRE	13	Rank Org	42	Land Sec.	32		
Cadburys	32	Hanson	15	Ratners	2½	MEPC	24		
		ICI	78	Reed Intl	41				

Notice of Redemption to the Holders of

Mitsubishi Capital Inc.

US $15,000,000
Guaranteed Dual Basis Bonds due 2000 (The "A Bonds")
and
US $26,000,000
Guaranteed Dual Basis Bonds due 2000 (The "C Bonds")

Notice is hereby given that pursuant to Clause 5 (b) of the Terms and Conditions of the Notes, Mitsubishi Capital Inc. will proceed to the early redemption of the total of the outstanding Notes at their principal amount on October 22, 1992.

Interest on the Notes will cease to accrue on and after the Redemption Date.

BANQUE INTERNATIONALE A LUXEMBOURG
Fiscal Agent

Profits warning by Philips sends share price tumbling

By Ronald van de Krol in Amsterdam

SHARES in Philips, the Dutch electronics group, tumbled by nearly 7.5 per cent yesterday after the company cautioned that profits would likely be halved this year.

Philips said that full-year results from normal business operations were expected to be halved from the 1991 level of Fl 981m ($557m) because of the failure of world economic recovery to emerge, the continued malaise in consumer electronics industry and the steep decline in the value of the dollar.

The warning, which followed June's statement that 1992 results were likely to fall below 1991 levels, caused Philips's shares to close down Fl 1.80 at Fl 22.80, though above the new 12-month lows of about Fl 22.00 reached earlier in the day.

Philips is scheduled to publish third-quarter figures on November 5. Last month it said second-quarter net profit before extraordinary items dropped by 56 per cent, reflecting difficult trading conditions in consumer electronics, a sector which accounts for almost half of group turnover of Fl 57bn.


Jan Timmer: opened the world's first DCC factory

Difficulties prompted by fierce price wars in television sets, video cassette recorders and other types of consumer electronics have been exacerbated since the summer by the steep decline in the dollar, which recently touched a series of new lows against the guilder.

Ironically, the latest profit warning came on the day that Mr Jan Timmer, company president, officially opened the world's first factory for the production of digital compact cassettes (DCC), a new audio product that Philips hopes will prove to be as successful as the analogue audio cassette.

The factory, located in the Dutch town of Amersfoort, has been operational since July. It is owned by London-based PolyGram, Philips's 80 per cent owned music company, whose good profit performance in the software side of the consumer electronics industry has not been able to compensate entirely for the slide in prices commanded by the Dutch company's hardware.

DCC players, which Philips is counting on to revitalise consumer interest in hi-fi equipment, are scheduled to go on sale in Japan on Monday, to be followed by parts of western Europe in October and the US in November.

Euro Disney packages to improve group visits

By Alice Rawsthorn in Paris

EURO DISNEY, which has been clouded by bad publicity since the opening this spring of its Euro Disneyland theme park near Paris, is introducing special packages to try to lift group visits.

Since the opening, Euro Disneyland has come under criticism for failing to make proper provision for block bookings, particularly for coach parties. The company yesterday announced a new series of deals for group visits which will include discounts of between 10 per cent and 30 per cent and 4 per cent commission for travel agents. It is offering free entrance to the theme park to coach drivers for a trial period.

Euro Disney is anxious to prevent a significant fall in attendance during the seasonally slow autumn and winter months. It has always expected attendance to slacken during this period, but has hoped to counter the expected decline in foreign visitors by encouraging the French (whose attendance has so far been below target) to visit when the park will be quieter. The group packages form part of this initiative.

Euro Disney recently announced that a record 94,000 people had visited the park on September 6 and that it had attracted over 6m visitors in its first five months. However, the 6m tally suggests that Euro Disneyland will not meet its initial target of 11m visitors by the end of its first year.

● Société des Bains de Mer de Monaco, the Monte Carlo-based hotels and leisure group, saw net profits slip to FFr165.4m ($30.62m) in the year to March 30 from FFr178.2m in the previous year. Turnover also dipped to FFr1.7bn from FFr1.72bn. The group invested FFr280m during the year, notably on renovating the Monte Carlo Beach Hotel.

Itoman dissolved in merger scheme

By Robert Thomson in Tokyo

JAPAN'S era of financial excess has claimed its most famous victim. Itoman, a once staid textile trader turned property and art speculator, is to be dissolved under a merger proposal announced by the Sumitomo group yesterday.

Itoman, founded in 1883 as an importer of fabric, is to be merged with Sumikin Bussan, a steel trading subsidiary of Sumitomo Metal Industries, a core company of the Sumitomo group, which has taken responsibility for the restructuring of Itoman.

The proposal, under which five Itoman shares will be swapped for one share in the unlisted Sumikin Bussan, reflects the influence of *keiretsu*, or corporate groupings.

Itoman executives said they had attempted to salvage the company, but were hampered by the economic slowdown. They also announced what was likely to be Itoman's last profits forecast – an after-tax loss of Y90bn ($720m) for the year to end March, when the company is to be delisted.

Meanwhile, the Tokyo Stock Exchange (TSE) said it would look into trading of Itoman shares in recent days, when volume has been higher than average. Any further scandal linked to Itoman would continue a two-year run of unflattering headlines at a company which was not alone in indulging in speculation.

Sumikin Bussan emphasised that it would take over none of the debts of Itoman, which still has an extensive international trading network in textiles, food, and industrial machinery.

Itoman was estimated to have Y1,300bn in consolidated debt at its speculative peak in 1990, before the collapse of the stock, property and art markets. After the arrest of seven men last year in connection with alleged corruption, prosecutors said speculation in golf courses, the works of Modigliani, and apartments had caused losses of Y300bn.

The company has attempted to trade its way out of trouble, but was forced to approach Sumitomo Bank, its main bank, for financial assistance in restructuring. The bank proposed the merger with Sumikin, which is 59.5 per cent owned by Sumitomo Metals.

Attempts to restructure Itoman were hampered by the negative publicity the company has attracted over the past two years. The turmoil at Itoman is cited as a reason for the fall of Mr Ichiro Isoda, the Sumitomo Bank chairman, who resigned in 1990.

The close connection with the bank has been highly embarrassing for the Sumitomo group, as, in 1990, 13 of Itoman's 47 executives had worked for the institution, and the trading house's customers had believed its investments came with the bank's blessing.

Itoman's ill-fated foray into property markets was once cited by executives as an indication of its successful diversification away from traditional trading pursuits. Ironically, Sumikin said yesterday that the Itoman merger was a part of its diversification strategy.

Kvaerner buys German shipyard

By Karen Fossli in Oslo

KVAERNER, the Norwegian engineering, shipping and shipbuilding group, has acquired the Warnow shipyard in eastern Germany for a symbolic NKr4m ($682,000).

The deal, which propels Kvaerner into the very top league of world shipbuilders, pushed the company's shares up sharply yesterday. Its A shares jumped 8 per cent yesterday.

After 13 months of difficult negotiations the Treuhandanstalt, the German state privatisation agency, has agreed to fund a NKr2bn restructuring programme for the yard to be undertaken by Kvaerner through 1996.

The German agency will also cover losses of up to NKr2bn on new contracts during the yard's restructuring.

"The sum is fixed and cannot be readjusted to match the actual level of losses," Kvaerner said. The yard has contracts to build seven ships.

For its part, Kvaerner will supply the yard with technology and knowhow estimated at NKr400m and will provide NKr80m in cash for the purchases of services required by the yard.

Kvaerner will invest an estimated NKr60m annually from 1996 for the yard's maintenance.

It will shed 1,000 of its 3,000-strong workforce, costs which will be covered by Treuhandanstalt.

The acquisition makes Kvaerner Europe's biggest shipbuilder. Shipbuilding accounted for one-third of Kvaerner's NKr6bn plus revenue in 1991.

In 1988, Kvaerner acquired Scotland's Govan shipyard and three years later purchased Finland's Masa-Yards.

The company said the Warnow yard was expected to generate revenue from 1996 and that the market for shipbuilding would improve significantly during the second half of the 1990s.

The shipyard will build vessels of up to 180,000 deadweight tonnes.

It was established in 1955 and has largely delivered specialised tonnage to eastern Europe, but has also supplied a number of vessels to the West.

Canadian power utility trims staff

By Bernard Simon

ONTARIO Hydro, North America's second-biggest power utility and one of the most active international borrowers, is to cut 2,000 jobs and pare capital spending amid growing public criticism over its economic management.

The utility, which is owned by the Ontario provincial government, fuelled anger among business and individual consumers this week by announcing a 7.9 per cent rate increase for 1993 at a time when Canada's inflation rate is less than 2 per cent. Electricity rates went up by 11.8 per cent this year.

The planned staff cuts amount to about 7 per cent of the total workforce. In addition, the utility is considering cutting its capital spending by about C$10bn (US$8.10bn) over the next 10 years, equal to about a quarter of its planned investment budget.

The financial squeeze stems partly from the recession's impact on demand for electricity. But Hydro has also suffered heavy cost overruns on the C$14bn Darlington nuclear power station, now in the process of being commissioned. The utility has said that rate increases could be limited to about 2 per cent if it was not burdened by Darlington and by the cost of repairing its other nuclear reactors.

A growing number of municipalities and large commercial users are investigating construction of their own power generating facilities to provide cheaper electricity. Mr Marc Eliesen, the utility's chairman, earlier this week warned that siphoning revenues away from Hydro in this way might require even higher rate increases in future.

BHP earnings advance 11%

By Emilia Tagaza in Canberra

BROKEN Hill Proprietary yesterday reported an after-tax operating profit of A$258.9m (US$189m) for the three months ended August, 1992, almost 11 per cent up on the same quarter last year.

Earnings per share for the Australian mining, energy and steel group increased by more than 6 per cent in the quarter to 20.2 cents from 19 cents.

BHP plans to pay an unchanged interim dividend of 19.5 cents.

The steel operations recorded the best results among the company's divisions, with profits up 8.2 per cent to A$53m. The result was attributed to profits from New Zealand Steel and to a reduction in the cost of steel production.

Petroleum operations rose 6 per cent to A$137.3m, thanks mainly to the higher US dollar oil price and the weaker Australian dollar. Production was also higher during the quarter with production starting in two fields: Skua and Kutubu.

The minerals division suffered a setback with profits falling 10.5 per cent to A$158.4m. The weaker result was due to lower prices for coal, iron ore and manganese ore.

Minerals division sales rose to A$1.1bn from A$1.06bn. Steel division sales rose to A$1.47bn from A$1.4bn.

Siemens plans to cut 1,800 jobs

By David Waller in Frankfurt

SIEMENS, the Munich-based electronics and electricals company, is planning to cut up to 1,800 jobs worldwide in its medical technology division in 1992-93.

The move comes a month after Siemens Nixdorf Informationssysteme (SNI), Siemens's loss-making computer subsidiary, announced plans to cut its workforce by 8,000 by September 1995.

It blamed a slowdown in market growth in Germany, and difficult conditions in overseas markets, especially the US and the former Soviet Union. The division's turnover was DM7.4bn ($4.93bn) last year and there are 31,000 employees worldwide, 13,000 in Germany.

Oki expects to make first loss for six years

By Emiko Terazono in Tokyo

OKI Electric Industry, the Japanese communications equipment maker, expects to make an unconsolidated pre-tax loss of Y25bn ($200m) for the year ending next March, its first loss for six years.

Oki blamed the slump in the semiconductor market. It added it will suspend its dividend payment for the first time in 14 years. The company had originally projected a Y2bn pre-tax profit and a Y3.5 dividend per share.

It revised down its sales forecast to Y580bn from Y600bn, and said it would post an after-tax loss of Y16bn instead of an after-tax profit of Y9bn.

For the first half to September, Oki said it would register Y19bn in pre-tax losses and Y9bn in after-tax losses, on sales of Y280bn. Oki said capital spending for the full year would be reduced to Y50bn from the planned Y53bn.

The company said it would try to cut the workforce by 2,000 over the next three years.

● Nintendo, the Japanese video game maker, has revised upwards its forecast for the interim period to September due to brisk sales in video game machines. Its half-year pre-tax profit is expected to rise 6.5 per cent to Y81bn. It plans to increase its interim dividend by Y10 per share to Y35.

NCM drops to Fl 23.4m midway

NCM, the Dutch credit insurer which last year acquired the short-term businesses of the British Export Credit Guarantee Department, said first-half 1992 net profit fell to Fl 23.4m ($14m) from Fl 29.7m because of increased losses on reinsurance, Reuter reports from Amsterdam.

Losses on reinsurance of policies sold by other credit insurers rose to Fl 18.9m from Fl 3.6m.

Italian engineer slumps to L23bn

By Haig Simonian in Milan

PRE-TAX profits at Sasib, the Italian precision engineering company controlled by Mr Carlo De Benedetti's Cir group, collapsed to L23.3bn in the first half of this year from L61.1bn in the same period of 1991.

Sasib, which has expanded rapidly through acquisitions, often of loss-making companies, blamed the fall on a 11.4 per cent drop in turnover to L322.8bn ($262.4m) and the fact that a higher proportion of sales in the period comprised low-margin items.

The company claimed the plunge in first-half earnings was not indicative of prospects for the full year. By the end of last month, turnover had reached L449bn, thanks to strong sales in July and August, leaving the total for the first eight months down by only 3.3 per cent against the same period last year.

Placer Dome acquires stake in copper project

By Bernard Simon in Toronto

PLACER Dome, the Vancouver-based gold producer, is making a long-heralded move into base metals by buying a 50 per cent stake in the Zaldivar copper project in northern Chile.

Placer has agreed to pay US$100m in cash to join Outokumpu of Finland in developing a mine at Zaldivar.

In addition, the Canadian company will provide project financing of up to $400m. The deal is expected to be finalised by December.

A final decision whether to go ahead with construction of the $500m mine is expected in mid-1993, with copper cathode production starting two years later.

Placer has been looking for some time for an outlet for its large cash reserves. Its diversification plans suffered a setback last year when it decided not to go ahead with development of the low-grade Mount Milligan copper and gold deposit in British Columbia. It wrote off its $230m investment in the project.

The Zaldivar project is close to La Escondida, the world's richest copper mine which began operations in late 1990.

According to a feasibility study done last May, Zaldivar contains 560m tonnes of ore with a grade of 0.62 per cent copper. Placer estimated that 140m tonnes of the ore has a grade of 1.2 per cent.

In addition, the recently-discovered Pinta Verde deposit, 1 km from Zaldivar, contains 200m tonnes of ore with a grade of 0.62 per cent.

Placer and Outokumpu said there was considerable potential to increase the resource.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	$352.00	+11.75	$348.30	$356.40	$335.20
Silver Per troy oz	223.215p	+31.115	236.20p	242.70p	187 58p
Aluminium 99.7% (cash)	$1249.5	-22.5	$1188.5	$1339.0	$1105.5
Copper Grade A (cash)	£1383.5	+141.0	£1365.5	£1340.6	£1135.0
Lead(cash)	£349.0	+22.5	£309.25	£383.5	£278.50
Nickel (cash)	$6920.0	-17.5	$7497.5	$8195.0	$6913
Zinc SHG (cash)	$1382.0	+17.0	$1028	$1457.5	$1106.5
Tin (cash)	$6695		$5535	$7115.0	$5425.0
Cocoa Futures (Dec)	£629	+8	£766	£773	£523
Coffee Futures (Nov)	$775	-11	$539	$1013	$676
Sugar (LDP Raw)	$233.4	-20.8	$233.8	$272.6	$193
Barley Futures (Nov)	£115.40	+2.7	£114 60	£123.90	£106.90
Wheat Futures (Nov)	£117.50	+2.0	$118.10	£131.85	£109.85
Cotton Outlook A Index	57.00c	+1.20	69.55c	65.90c	52.25c
Wool (64s Super)	395p	+27	357p	480p	364p
Oil (Brent Blend)	$20.425x		$20.45	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted p-pence/kg, c-cents lb, x-Nov.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$18 50-8.55z	+0 25
Brent Blend (dated)	$20 25-0.30	
Brent Blend (Nov)	$20 40-0.45	
W T I (1 pm est)	$21 85-1 90z	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	-1
Gas Oil	$189-190	-1
Heavy Fuel Oil	$90-92	
Naphtha	$189-190	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$352.00	+3.75
Silver (per troy oz)♣	387.5c	+6 0
Platinum (per troy oz)	$361 75	-4.25
Palladium (per troy oz)	$90 75	-1 25
Copper (US Producer)	111 5c	
Lead (US Producer)	40 1c	
Tin (Kuala Lumpur market)	16 65r	+0 05
Tin (New York)	309 50c	-1.0
Zinc (US Prime Western)	62 0c	
Cattle (live weight)†	109 45p	+0.07*
Sheep (live weight)†♠	71.60p	+0.34*
Pigs (live weight)†	74 86	-4.00*
London daily sugar (raw)	$233 4w	-1.6
London daily sugar (white)	$264.2w	-0.3
Tate and Lyle export price	£242.0	+1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£137.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	55.25p	+0.25
Rubber (Nov)♥	55.25p	+0 25
Rubber (KL RSS No 1 Jul)	221.0m	
Coconut oil (Philippines)§	$500.0y	-5 0
Palm Oil (Malaysian)§	$390 0y	
Copra (Philippines)§	$320 0	
Soyabeans (US)	£146 0w	
Cotton "A" index	57 00	+0 40
Wooltops (64s Super)	395p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg t-Oct/Dec w-Sep/Oct y-Nov/Dec u-Oct. z-Nov †Meat Commission average fatstock prices * change from a week ago ♥London physical. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	202.60	201 80	201.40 201 20
Dec	202.00	202.00	200.00 198 00
Mar	198.60	197 60	197.00
May	198.00		195.60
White	**Close**	**Previous**	**High/Low**
Dec	258.50	258.60	258.80 258.50
Mar	260.50	260.70	260.70 259 00
May	260.00	262.50	261 50 259.50
Aug	262.00	265 00	265.00 261.50
Oct	251.50	254 70	254.20 252.00

Turnover: Raw 206 (181) lots of 50 tonnes. White 591 (1111) Paris- White (FFr per tonne): Dec 1323 54 Mar 1345.18

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Nov	20 40	20 45	20.46 20.32
Dec	20.42	20.46	20.46 20.30
Jan	20 35	20.42	20.35 20.27
Feb	20 17	20.30	20 17
Apr	19 93		19.96 19.90
IPE Index	20 55	20 49	

Turnover 16864 (26433)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Oct	187 25	189 50	188.60 187.00
Nov	191 00	193 00	192.00 190.75
Dec	193.75	195.25	194.25 192.75
Jan	194 25	195.50	194.25 193.00
Feb	190.25	191.25	190.50 190.00
Mar	184.25	185.75	184 50 184.00
Apr	180.00	181.00	180.25 179.50
May	177 50	178.00	177 50 177.00
Jun	176 50		176.75

Turnover 14982 (10143) lots of 100 tonnes

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 18	Sep 17	mnth ago	yr ago
1560.3	1560.5	1528.3	1665.7

DOW JONES (Base: Dec. 31 1974 = 100)	Sep 17	Sep 18	mnth ago	yr ago
Spot	119.47	119.47	115.83	117.40
Futures	115 82	115.82	115.54	123.84

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Sep	613	325	610 613
Dec	629	642	644 628
Mar	659	671	672 656
May	680	691	690 679
Jul	698	712	710 698
Sep	716	731	725 716
Dec	743	756	760 743
Mar	771	783	778 770
May	791	803	796 792
Jul	811	823	816 812

Turnover: 5005 (10158) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Sep 17 763.66 (786.36) 10 day average for Sep 18 786.26 (790.86)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Sep	781	756	770 760
Nov	776	772	785 773
Jan	787	782	798 786
Mar	804	796	813 774
May	808	799	806 797
Jul	813	813	816

Turnover 3862 (1721) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Sep 17. Comp. daily 46.37 (46.22) 15 day average 46.28 (46.24)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	57.5	56.2	58.0 57.0

Turnover 15 (90) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	133.00		133.00
Feb	135.00		135.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Sep	1049	1055	1060 1047
Oct	1137	1137	1139 1130
Nov	1148	1149	1151 1145
Jan	1190	1190	1190 634
Apr	1241	1250	1250 1241
Oct	1290	1285	1290
BFI	1049	1051	

Turnover 247 (684)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Nov	117.50	116.25	117.50 116.50
Jan	121.50	120.10	121.50 120.55
Mar	124.50	123.10	124.50 123.50
May	126.00	126.50	126.00 127.00
Barley	**Close**	**Previous**	**High/Low**
Nov	115.40	114.10	115.50 114.40
Jan	119.50	118.10	119.50 118.35
Mar	122.00	121.10	122.00 121.70
May	124.00	123.00	124.00

Turnover: Wheat 226 (416), Barley 687 (314). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	104.5	104.5	104 4 104.0
Nov	104.8		104.0 103.5

Turnover 21 (0) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 55,299 lots
Cash	1249-50	1251.5-2.5		1241-1.5		
3 months	1270-1	1272-3	1276/1260.5	1263-3.5	1276-6.5	182,976 lots
Copper, Grade A (£ per tonne)						Total daily turnover 30,910 lots
Cash	1382-5	1357-8	1382	1381.5-2.5		
3 months	1407-10	1385-8	1417/1407	1407-8	1416-7	183,196 lots
Lead (£ per tonne)						Total daily turnover 4,908 lots
Cash		344-6	352/345	352-3		
3 months		358-7	362/355	361.5-2.0	368-9	27,245 lots
Nickel ($ per tonne)						Total daily turnover 3,406 lots
Cash	6915-25	6935-45		6910-5		
3 months	6990-5	7010-15	7000/6965	6988-90	6980-90	26,335 lots
Tin ($ per tonne)						Total daily turnover 1,510 lots
Cash	6690-700	6730-40	6700	6700-5		
3 months	6745-55	6775-85	6785/6750	6755-60	6755-60	10,861 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,181 lots
Cash	1381-3	1371-3	1382/1380	1381-2		
3 months	1357-8	1347-8	1362/1352	1355-8	1353-4	65,299 lots

LME Closing £/$ rate: SPOT: 1.7395 3 months: 1.7123 6 months: 1.6932 9 months: 1.6726

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	351.75-352.25	
Opening	348.00-348.50	
Morning fix	348.65	199.229
Afternoon fix	347.20	199.140
Day's high	351.75-352.25	
Day's low	347 00-347.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.34	6 months	2.30
2 months	2.30	12 months	2.37
3 months	2.30		

Silver fix	p/troy oz	US cts equiv
Spot	217.70	380.75
3 months	222.55	383.45
6 months	227.20	386.50
12 months	236 35	393.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	347.00-350.00	199.00-201.00
Maple leaf	362.65-365.00	-
New Sovereign	83.00-85.00	48.00-49.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	16	48	8	19
1300	3	22	43	43
1350	3	9	71	79
Copper (Grade A)	**Calls**		**Puts**	
2350	79	106	3	23
2400	40	75	14	48
2450	15	51	39	73
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	78	98	2	10
750	39	61	13	25
800	14	35	38	49
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	20	53	25	29
650	19	48	40	40
675	12	38	58	54
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
2050	27	44	40	
2100	12	26	74	
2050	6	15		

New York

GOLD 100 troy oz., $/troy oz.

	Close	Previous	High/Low	
Sep	351.2	347.9	0	0
Oct	351.5	348.3	353.0	347.8
Nov	352.1	348.9	0	0
Dec	353 0	349.8	354.5	348.9
Feb	354.4	351.2	356.0	350.3
Apr	355.8	352.8	357.0	352.0
Jun	357.3	354.1	358.1	357.9
Aug	358 9	355.7	0	0
Oct	360.6	357.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	365.8	363.5	366.8	360.5
Jan	362.4	360.8	365.0	356.5
Apr	360.4	359 3	362.5	355.5
Jul	360.4	360.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	384.7	376.6	388.0	380.0
Oct	385.0	376.7	0	0
Nov	385.5	377.5	0	0
Dec	387.2	379.2	392.0	379.5
Jan	388.5	380.5	392.0	382.0
Mar	390 9	382.9	396.0	384.0
May	393.4	385.4	398.0	394.5
Jul	395.8	387.7	401.0	392.0
Sep	398.3	390.1	401.0	401.0
Dec	402.4	394.1	406.0	397.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	107.95	107.45	108 00	107.45
Oct	108.15	107.70	108.15	107.00
Nov	108.55	108.20	108.35	108.10
Dec	108.80	108.45	108.90	108.10
Jan	108.85	108.50	108.50	108.50
Feb	108.85	108.50	0	0
Mar	108.85	108.55	108.90	108.30
Apr	108.70	108.30	0	0
May	108.45	108.10	108.20	108.20
Jun	108.20	107.85	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	54.05	52.35	55.00	52.10
Dec	55.50	53.35	56 00	54.00
Mar	56.55	54.70	56.70	55.30
May	59 80	58.60	60.10	58.90
Jul	60.80	59.70	61.25	59.90
Sep	61 80	60.90	61 80	61 80
Dec	63.60	63.75	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	22.09	22.30	22.20	21.95
Nov	21.90	22.01	21.94	21.82
Dec	21.61	21.80	21.63	21.72
Jan	21.70	21.75	21.70	21.57
Feb	21.50	21.58	21.54	21.44
Mar	21.40	21.44	21.40	21.32
Apr	21.27	21.30	21 22	21.20
May	21.09	21.18	21.11	21.08
Jun	21.03	21.06	21.03	20.98
Jul	20.90	20 95	20.92	20.85

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	62.28	62.44	62.30	61.75
Nov	63.10	63.40	63.20	62.70
Dec	64.00	64.27	64.05	63.60
Jan	64.30	64.57	64.35	63.90
Feb	63.16	63.61	63.40	63.10
Mar	61.00	61.31	61.20	60.70
Apr	59.00	59 31	59.10	59.00
May	57.65	57.96	57.70	57.70
Jun	56.75	57.11	57.00	56.90
Jul	56.60	56.86	56.85	56.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	966	981	978	967
Mar	1019	1035	1026	1011
May	1053	1065	1060	1050
Jul	1081	1090	1091	1080
Sep	1110	1119	1120	1113
Dec	1143	1157	1155	1141
Mar	1185	1199	0	0
May	1210	1224	0	0

SUGAR WORLD "11" 112,000 lbs, cents/lbs

	Close	Previous	High/Low	
Oct	9.10	9.09	9.15	9.04
Mar	8.95	8 91	9.00	8.92
May	8.96	8.94	9.01	8.96
Jul	8.98	8.96	9.01	8.96
Oct	8.94	8.92	8.95	8 93

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.73	59.00	59.50	58.00
Dec	56.76	56.85	56.85	56.70
Mar	57.50	57.63	58.25	56.90
May	58 18	58 45	58.75	58.00
Jul	58 70	58.96	59 30	58.30
Oct	59.33	59 45	0	0
Dec	59.55	59.55	60.05	59.30
Mar	60.00	60.28	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.25	114.15	115.40	114.20
Jan	114.70	113.70	115.00	114.25
Mar	115.00	114 05	115.40	114.50
May	116.00	115.05	116.00	115.90
Jul	115 50	114.55	0	0
Sep	115.50	114 55	0	0
Nov	115.50	114.55	0	0
Jan	115.50	114 55	0	0

SPICES

The market for spot cassia is extremely tight, reports Man-producten. Vera sticks $2,460 a tonne, kbbrcl $1,500; shipment unchanged at $1,950 and $1,300 respectively. Pimento: Jamaica unchanged, Mexico $1,525 cif ebp. Spot Madagascar cinnamon unavailable, shipment $1,150. Spot Seychelles cinnamon $1,450, shipment $1,300. China cassia lignea whole shipment $1,650. Spot cloves weak at $1,000 spot and $775 for shipment. Nutmegs/mace tendency lower: bwp spot and shipment $900, shrivels $1,275, abcd $1,500, mace broken2 $1,500. Cochin ginger firm, spot $1,600, shipment $1550

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	552/0	554/6	555/0	551/4
Nov	541/6	545/2	546/0	541/4
Jan	549/0	552/4	553/0	548/6
Mar	556/6	560/6	560/6	556/4
May	564/4	568/4	568/0	564/4
Jul	571/4	574/6	575/4	570/6
Aug	573/0	576/0	575/4	573/0
Sep	570/2	573/0	572/0	570/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.68	19.04	19.05	18.64
Oct	18.70	19.06	19.04	18.66
Dec	18.98	19.34	19.30	18.95
Jan	19.13	19.48	19.44	19.13
Mar	19.40	19.73	19.70	19.37
May	19.68	19.96	19.93	19.65
Jul	19.91	20.23	20.16	19.98
Aug	20.02	20.32	20.27	20.02

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	168.3	169.0	169.0	167.5
Oct	186.3	186.7	187.0	186.1
Dec	186.1	186.6	187.0	186.0
Jan	186.3	187.2	187.4	186.3
Mar	186.3	187.3	187.2	186.3
May	186.2	187.0	187.2	186.2
Jul	187.4	189.1	188.5	187.2
Aug	188.5	189.8	188.5	188.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	222/4	223/2	222/6	221/6
Dec	216/0	217/2	217/0	215/4
Mar	224/6	226/2	225/6	224/2
May	231/2	232/2	232/0	230/6
Jul	236/0	237/2	236/6	235/4
Sep	237/2	237/4	237/4	236/6
Dec	241/0	242/2	241/4	240/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	332/0	331/0	332/0	328/0
Dec	342/2	341/6	343/0	339/0
Mar	346/2	346/2	347/0	344/0
May	340/6	340/2	341/0	338/4
Jul	319/4	318/4	319/4	317/0
Sep	324/0	324/0	324/0	322/0
Dec	335/4	335/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.875	75.825	75.900	75.650
Dec	73.325	73.375	73.450	73.150
Feb	72.150	72.300	72.325	72.100
Apr	73.175	73.375	73.375	73.125
Jun	70.200	70.350	70.325	70.150
Aug	68.800	68.975	69.000	68.800
Oct	68.925	69.000	69.000	68.925

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.525	40.375	40.675	40.200
Dec	41.550	41.300	41.600	41.250
Feb	40.450	40.225	40.500	40.150
Apr	38.575	38.500	38.700	38.550
Jun	44.150	44.150	44.250	44.100
Jul	44.150	44.150	0	44.100
Aug	43.075	43.150	43.100	43.050
Oct	40.325	40.500	40.400	40.250

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.650	40.575	40.800	40.200
Mar	40.600	40.500	40.850	40.250
May	42.125	42.200	42.225	41 800
Jul	42.200	42.100	42.200	41 900
Aug	41.150	41.150	0	0

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc edges close to floor

THE BANK OF FRANCE intervened heavily to support the franc yesterday after continuing tensions in the European exchange rate mechanism forced the currency close to its floor against the D-Mark, *writes James Blitz.*

On Thursday, the franc touched its ERM floor of FFr3.4305, as the market continued to assume that Sunday's Maastricht referendum in France could produce a No vote, bringing European Monetary union to an end. Yesterday the Bank of France intervened in the foreign exchange markets for the second day running in an operation which dealers described as "substantial."

The Bank also briefly suspended its 5-10 day lending facility, a move which pushed short term lending rates up to 20 per cent - although some dealers said that rates were as high as 80 per cent at one stage. The facility was later re-introduced.

Analysts said that the French operation had been extremely successful. "The French managed to hold the franc without pushing up bank lending rates, a move which would have produced more No votes in the referendum," said Mr Jim Hall, an economist at Swiss Banking Corporation in London. The franc closed at FFr3.4230 to the D-Mark, 0.75 centimes above its floor.

The Irish punt was also under pressure, trading close to its floor of DM2.6190 to the punt. As in France, market interest rates went up as pressure on the currency continued, with some dealers suggesting that overnight rates were being measured in "thousands of percent." In London, it closed at DM2.6525 to the punt.

The fate of the mechanism probably depends on the result of the Maastricht referendum in France tomorrow. "If there is a Yes, the French, the Germans and the Benelux countries will probably do their best to hold the ERM together," said Mr Mark Austin, chief economist at HongKong and Shanghai Banking Corp in London. But the market has seen how fragile the EMS is and it will be hard to restore credibility.

Pressure on sterling was intense following an interview with Mr Norman Lamont, the UK Chancellor, in which he cast doubt about the prospects of an early return by sterling to the ERM. The pound is probably no longer overvalued against the D-Mark when trading competitiveness is taken into account. But there was heavy selling of sterling by big investment funds yesterday, and the trend could still be downward. "If we get a total about turn in UK economic strategy, the pound will come under pressure, going perhaps as low as DM2.50," said Mark Austin. Sterling closed 3.75 pfennigs down against the D-Mark at DM2.6125.

£ IN NEW YORK

Sep.18	Latest	Previous Close
£ Spot	1.7340-1.7370	1.7900-1.7920
1 month	1.10-0.90pm	1.40-1.20pm
3 months	2.65-2.45pm	3.00-2.80pm
12 months	8.90-8.50pm	10.0-9.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.18	Previous
[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

*Floating rate. Iraw Official rate:£119.55 $63.30

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7400	1.7300	1.7135	1.6920	1.6520
D-mark	2.6125	2.6090	2.6089	2.6088	2.6043
French Fr.	8.9400	8.9300	8.9250	8.9080	8.8725
Swiss Fr.	2.2700	2.2641	2.2567	2.2483	2.2300
Yen	217.00	215.92	214.13	211.60	206.69

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.29193	2.29271	-2.58	2.99	55
D-Mark	2.03412	1.98221	-2.55	2.95	70
Belgian Franc	41.9547	40.9612	-2.37	2.76	44
Irish Punt	0.759300	0.751564	-1.02	1.36	-20
French Franc	6.82216	6.77810	-0.65	0.98	-45
Danish Krone	7.75901	7.72663	-0.42	0.74	[illegible]
Portuguese Escudo	176.844	176.470	-0.21	0.54	-4
Spanish Peseta	139.176	139.627	0.32	0.00	-13

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.90-4.70pm. 12 Month 8.60-8.70pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10¼	10½ - 10¼	10½ - 10¼	10 - 9¾	9 - 8¾	9 - 8¾
US Dollar	3⅛ - 2⅞	3⅛ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅝ - 3½
Can. Dollar	4¾ - 4⅝	4¾ - 4⅝	4¾ - 4⅝	4⅞ - 4¾	4⅝ - 4⅜	5⅛ - 4⅞
Dutch Guilder	9½ - 9¼	9⅝ - 9¼	9¼ - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	8⅞ - 8⅝
Swiss Franc	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝	6⅞ - 6⅝
D-Mark	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅝	8⅞ - 8⅝	8⅝ - 8⅜	8⅝ - 8⅜
French Franc	13 - 12	11½ - 11	11½ - 11	10½ - 10	10¼ - 9¾	10 - 9½
Italian Lira	15 - 13	25 - 22	20 - 17	16½ - 15	16 - 14½	14½ - 13½
Belgian Franc	9¾ - 9¼	9½ - 9¼	9½ - 9¼	9½ - 9¼	9½ - 9¼	9¼ - 9
Yen	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 3⅞	3⅞ - 3⅝	3⅞ - 3⅝
Danish Krone	11 - 10¾	11½ - 11¼	11½ - 11¼	11¼ - 10¾	10¾ - 10½	10½ - 10¼
Asian $Sing	1½ - 1¼	1½ - 1¼	1⅞ - 1⅞	2⅛ - 1⅞	2½ - 2¼	3 - 2⅞
Spanish Peseta	14½ - 14¼	14½ - 14¼	14½ - 14¼	14 - 13¾	14 - 13¾	14 - 13¾

Long term Eurodollars: two years 4⅛-4 per cent; three years 4⅞-4⅞ per cent; four years 5⅛-5⅛ per cent; five years 5⅝-5½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep.18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.740	2.612	227.0	8.940	2.270	2.932	2184	2.119	53.75	184.0	1.350
$	0.575	1	1.501	124.7	5.138	1.305	1.685	1255	1.218	30.89	105.7	0.776
DM	0.383	0.666	1	83.08	3.423	0.869	1.123	836.1	0.811	20.58	70.44	0.517
YEN	4.608	8.018	12.04	1000.	41.20	10.46	13.51	10065	9.765	247.7	847.9	6.221
F Fr.	1.119	1.946	2.922	242.7	10.	2.539	3.280	2443	2.370	60.12	205.8	1.510
S Fr.	0.441	0.767	1.151	95.59	3.938	1	1.292	962.1	0.933	23.68	81.06	0.595
H Fl.	0.341	0.593	0.891	74.01	3.049	0.774	1	744.9	0.723	18.33	62.76	0.460
Lira	0.458	0.797	1.196	99.36	4.093	1.039	1.342	1000.	0.970	24.61	84.25	0.618
C $	0.472	0.821	1.233	102.4	4.219	1.071	1.384	1031	1	25.37	86.83	0.637
B Fr.	1.860	3.237	4.860	403.7	16.63	4.223	5.455	4063	3.942	100.	342.3	2.512
Pta	0.543	0.946	1.420	117.9	4.859	1.234	1.593	1187	1.152	29.21	100.	0.734
Ecu	0.741	1.289	1.935	160.7	6.622	1.681	2.172	1618	1.570	39.81	136.3	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	2.97	3.34	-	0.63	0.75	-
107	2.20	-	-	0.85	-	-
108	1.66	2.10	-	1.16	1.34	-
109	1.05	1.45	-	1.66	-	-
110	0.62	1.02	-	-	-	-
Open Int.	322,504	68,900	-	239,470	51,279	1,300

Estimated volume 127,186 † Total Open Interest 683,453
† All Yield & Open interest figures are for the previous day.

Estimated volume 35036 (44950)
Previous day's open int. 49933 (53204)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7400	1.7300	1.7135	1.6920	1.6520

BANK RETURN

BANKING DEPARTMENT	Wednesday September 16 1992		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	88,641,928	-	489,722
Bankers Deposits	1,610,795,931	+	165,904,446
Reserve and other Accounts	4,504,872,340	+	248,907,170
	6,218,863,199	+	414,341,894
ASSETS			
Government Securities	1,500,721,175	+	205,750,000
Advance and other Accounts	2,831,207,357	+	992,640,649
Premises Equipment & other Secs	1,880,788,680	-	784,527,753
Notes	5,947,413	+	490,458
Coin	198,574	-	11,461
	6,218,863,199	+	414,341,894
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,204,052,587	-	100,490,459
Notes in Banking Department	5,947,413	+	490,459
	16,210,000,000	-	100,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	9,002,938,767	-	1,613,582,831
Other Securities	7,196,046,133	+	1,513,582,831
	16,210,000,000	-	100,000,000

MONEY MARKETS

Rate cut discounted

AFTER Thursday's concern about the liquidity shortage in the sterling cash market, rates eased sharply yesterday, as expectations rose about an early cut in UK borrowing costs.

The Bank of England provided a temporary facility of between £3bn and £5bn to a group of banks, gilt-edged market makers and the five biggest building societies to help remove the massive shortage that was created by the Bank of England's intervention in the foreign exchange markets on Wednesday.

Despite the facility, a shortage of £3bn was forecast by the Bank of England yesterday. Most of this was removed by the buying of repurchase agreements and short dated bills at rates compatible with 10 per cent base rate.

In the interbank market, 3 month money closed at 9¾ per cent and the 1 year rate at 9 per cent. 1 month money still closed as high as 10¼ per cent on the offered side, but the nearer maturities cannot move far because tight credit conditions will probably continue.

Trading in the cash market was thin because few dealers want to take positions in a climate where rates could be cut sharply at any moment. "Now that the UK is out of the Exchange Rate Mechanism, it will be far easier to cut rates," said a trader at a UK clearing bank. "But the government may cut rates by less than people want, to keep inflation down." However, many traders now believe that the Maastricht referendum will have no impact on rates next week.

Trading in sterling futures reflected the expectation of a cut in base rates next week. At one stage the December contract was 67 basis points up from its previous close at 91.95, but later subsided to close at 91.60. On a strict interpretation, this assumes that 3 month money at the end of the year will be at 9.4 per cent, a full percentage point lower than it was at the start of the week. Trading in the December contract was very high at over 70,000 lots.

The Bank of England cancelled the regular weekly tender yesterday because it would have compounded unprecedented pressures washing back from the authorities' recent massive purchases of sterling in the currency markets.

UK clearing bank base lending rate 10 per cent from September 17, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.18) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3⅜	bid 3⅞	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.66	Three year	4.38
Broker loan rate	5	Two month	2.94	Five year	5.41
Fed.funds	2⅞	Three month	2.96	Seven year	5.94
Fed.funds at intervention	-	Six month	3.00	10-year	6.42
		One year	3.16	30-year	7.36
		Two year	3.84		

Sep.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.10	9.20-9.30	9.20-9.30	9.20-9.30	9.10-9.25	9.50
Paris	18-22	10-10¼	10-10¼	10⅛-10⅜	10⅛-10⅜	9.60
Zurich	6¾-7¼	6¾-7	-	6¾-7	-	-
Amsterdam	7.63-7.88	8.65-8.90	-	8.63-8.88	-	-
Tokyo	4⅛-4¼	4⅛-4¼	-	4¼-4⅜	-	-
Milan	17½-18	19⅞-23⅛	-	17½-17¾	-	-
Brussels	9¼-9½	9½-9¾	-	9⅛-9⅜	-	-
Dublin	10-10¼	10⅛-10⅜	10½-10⅝	10½-10⅝	10½-10⅝	-

LONDON MONEY RATES

Sep 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	30	13	11¼	10½	9¾	9⅜
Interbank Bid	5	10	10	9¾	8¾	8¾
Sterling CDs	-	-	10⅞	9½	8⅞	8⅞
Local Authority Deps	11	10	10½	9¾	9½	9¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8¼	10	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10½	10	9⅝	9⅛
Treasury Bills (Buy)	-	-	9¾	9⅞	8⅝	-
Bank Bills (Buy)	-	-	9¾	9⅝	8⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.02	3.02	3.03	3.16
SDR Linked Dep. Offer	-	-	6⅛	6	6	6
SDR Linked Dep. Bid	-	-	5⅞	5⅞	5⅞	5⅞
ECU Linked Dep. Offer	-	-	11⅝	11¼	11⅛	10⅝
ECU Linked Dep. Bid	-	-	11⅛	10⅞	10⅞	10⅞

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	13	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10½	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	12	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	12
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	12
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of TEMEA TECHNIKI S.A. STUDIES, CONSTRUCTIONS AND INSTALLATIONS, a company registered in Piraeus (the Company), which is presently under special liquidation in accordance with article 46a of Law 1892/1990, invites interested parties to submit, within twenty (20) days of publication of this notice, non-binding, written declarations of interest for the purchase of the entire assets of the Company.

BRIEF INFORMATION: The Company was founded in 1961 and, up to 1990 (when it was first declared under liquidation in accordance with Codified Law 2190/20) was engaged in the manufacturing and trade of machinery, of calender mills and mechanical constructions and with the study and surveillance of mechanical and electrological works. The Company ceased operating in 1991 and no personnel is currently employed. Assets include a plant in Piraeus on a 863.63m² plot with mechanical equipment, vehicles, furniture, etc.

SALE PROCEDURE: The sale of the assets of the Company will take place by way of public tender in accordance with the provisions of article 46a of Law 1892/1990 and the terms mentioned in the relevant invitation which will be published in the Greek and foreign press on the dates provided by the law.

SUBMISSION OF DECLARATIONS - OFFERING MEMORANDUM - FURTHER INFORMATION: For the submission of declarations of interest as well as for obtaining an Offering Memorandum in respect of the sale, and for any further information, please apply to the Liquidator of the Company, ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities at 1, Skouleniou Street, 105 61 Athens, Greece, tel. +30-1-323.1484, fax: +30-1-321.7905 (attn. Mr Peter P. Dracopoulos) or the Liquidator's agent: Mr John Pitsios at 19-21 Arachovis Street, Athens 106 80, tel. +30-1-360.1324.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 3424

Treasury 13¾% Stk 2000/03 - £121⅝ 121⅞

Exchequer 10½% Stk 2005 - £111

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £118⅝ 9⅛

Corporation and County Stocks
No of bargains included 2

Merton(London Borough of) 11¼% Red Stk 2017 - £109⅜ (15Se92)

UK Public Boards
No. of bargains included 4

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 - £90 (14Se92)
6½% Deb Stk 92/94 - £92½ (16Se92)
7¼% Deb Stk 91/93 - £96½ 7

Metropolitan Water Metropolitan Water 3% A Stk 63/2003 - £60⅛
Lambeth Water Works Co 3% Red Deb Stk - £28 (11Se92)

Port of London Authority 3% Port of London A Stk 29/99 - £70 (11Se92)

Commonwealth-Government
No of bargains included 1

Jersey Electricity Co Ld 6% Gtd Stk 2000 - £94

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 91

A.M.P.(U.K.) PLC 13% Bds 2015 (Br £5000&100000) - £123½ (14Se92)

Abbey National Sterling Capital PLC 10⅝% Subord Gtd Bds 2002 (Br £ Var) - £108
11½% Subord Gtd Bds 2017 - £109⅝ 10⅛ ½ (15Se92)

Abbey National Treasury Servs PLC 5⅝% Gtd Nts 1995 (Br $Var) - $101⅛
13⅝% Gtd Nts 1998 (Br £1000,10000&100000) - £105⅞ (15Se92)

Anglian Water PLC 12% Bds 2014 (Br £10000&100000) - £116⅝ ⅞ (16Se92)

[illegible]

Gtd Bds 1993 - $103.7 (15Se92)

RMC Capital Ld 9¾% Cnv Cap Bds 2006 (Br £5000&50000) - £96⅛ (15Se92)

Redland Capital PLC 7¼% Cnv Bds 2002 - £83½ (11Se92)

Royal Bank of Scotland PLC 10½% Subord Bds 1998 (Br£5000&25000) - £99¾ 100⅛

Sainsbury (J.)(Channel Islands)Ld 8½% CnvCapBds 2005(Br - £139½ (11Se92)

Sears PLC 10⅜% Bds 1993 - £99½♦

Severn Trent PLC 11½% Bds 1999 (Br £5000&100000) - £106
11⅝% Bds 2001 (Br £5000&100000) - £105½♦

[illegible]

Sterling Issues by Overseas Borrowers

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

414 4‡ 5 5 6 ½‡ 7 .21 8 8 .29 ½ 9 20 20 ½ 1 3 3 5 7

Yorkshire-Tyne Tees TV Hldgs PLC Wts to sub for Ord - 13½

Young & Co's Brewery PLC 9% Cum Prf £1 - 106

Investment Trusts
No. of bargains included 1532

Abtrust Preferred Inc Inv Tst PLC Ord Inc 10p - 65

Alliance Trust PLC 4% Prf Stk (Cum) - £35 (16Se92)

Amicable SmallerEnterprises Tst PLC Ord 25p - 67½ 8 8 9.955 70
Wts to Sub for Ord - 17½ (14Se92)

Baillie Gifford Japan Trust PLC Wts to Sub Ord Shs - 47 (15Se92)

Brazilian Investment Trust PLC Ord $0.10 - $0.67 (14Se92)
Wts to Sub for Ord - $0.42 (15Se92)

British Assets Trust PLC "A" 5% Prf Stk(Cum) - £47 (14Se92)

British Investment Trust PLC Ord 5p - 135 6 9

C.S.C.Investment Trust PLC Ord 25p - 73 (16Se92)

Capital Gearing Trust PLC Ord 25p - 290 (16Se92)

Clemente Korea Emerging Growth Fund Shs $10 (Reg Lux) - $7⅝ (16Se92)

Contra-Cyclical Inv Tst PLC Inc Shs 1p - 91
Cap Shs 25p - 7 8
Zero Div Pfd 50p - .59

County Smaller Co's Inv Tst PLC Ord 25p - 60 (14Se92)
Wts to Sub for Ord - 12 (11Se92)

[illegible]

Miscellaneous Warrants
No. of bargains included 22

Barclays De Zoete Wedd Wts Ld C CallWtsRltgtoFT-SE 100 Index 25/9/92 - £1.755 (11Se92)
Put Wts (Srs D) Rltg FTSE 100 29/9/92 - £0.2
Put Wts (Srs E) Rltg FTSE 100 29/9/92 - £0.35 (16Se92)
Put Wts (Srs F) Rltg FTSE 100 29/9/92 - £0.12 (16Se92)
Put Wts (Srs N) Rltg FTSE 100 30/3/93 - £0.7 0⅝ 0.85 0.87
Put Wts (Srs O) Rltg FTSE 100 30/3/93 - £0 42 0.45 0.48 0.55 0.58 0.6 0.62

Citibank N.A. S/DM "B" Wts To Sell DM 25/2/93 - $3.4 (14Se92)
D Put Wts Rltg to FT-SE 100 Ind 25/3/93 - £0 42 0 45
5m $/£ D Wts to Sell Sterling 3/6/93 - $2.1
C PutWtsRelto FT-SE 100 Index 15/12/93 - £0.3 0.35 (16Se92)
$/£ 'E' Wts To Sell £ 25/2/94 - $12½ 14 14.55

USM Appendix
No. of bargains included 458

Apollo Metals PLC 8p(Net) Cum Cnv Red Prf 10p - 135 7 (16Se92)

BLP Group PLC Ord 50p - 28 (11Se92)

Banner Homes Group PLC Ord 10p - 18 (11Se92)

Bedford(William) PLC Ord 5p - 10

CMW Group PLC Ord 5p - 12

Chemex International PLC Ord 1p - 2

[illegible]

Rule 535(2)

[illegible]

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

[illegible]

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Another strong session for equities

By Terry Byland
UK Stock Market Editor

ANY CONCERNS regarding this weekend's Maastricht referendum in France were pushed aside yesterday in a London stock market now focusing on the chances of a reduction in UK base rates to at least 8 per cent by Christmas time. The FT-SE Index gained a further 83.1 points to 2,567, rounding off a two week equity trading account which has brought a gain of around 8.7 per cent in the Index.

Trading volume was again very heavy and stock index futures indicated that optimism remained strong;some London marketmakers plan to open for telephone trading at 6.30 on Monday morning, two hours ahead of the official start of trading on the electronic trading screens.

Account Dealing Dates		
*First Dealings:		
Sep 7	Sep 21	Oct 5
Option Declarations:		
Sep 17	Oct 1	Oct 15
Last Dealings:		
Sep 18	Oct 2	Oct 16
Account Day:		
Sep 28	Oct 12	Oct 26

*New time dealings may take place from 8.30 am two business days earlier.

Seaq volume reached 1,298.1m shares, just below the 1.4bn of the previous session. The all-important value total of retail, or genuine customer business, in equities surged to £2.5bn on Thursday, following £1.2bn on Wednesday; these totals compare with recent daily levels of around £700m, and confirm the presence of the big institutions.

The pace was set by an early morning radio interview with Mr Norman Lamont, the UK chancellor of the exchequer, which was interpreted as encouraging interest rate optimism. Hopes for an early cut in UK rates were also strengthened by quotations of 8¼ per cent on short sterling futures and reflected in a squeeze in the government bond market when a US house came in as a heavy buyer. Short-dated gilts, beneficiaries from a rate cut, jumped by nearly one point, but even long dates, at risk from inflation prospects, closed with only minor losses; index-linked gilts moved higher.

Equities opened slowly but were quickly driven ahead as London dealers completed buying orders from the US which had been left open overnight. Excitement also mounted ahead of the expiry, just after 10.00, of the September contract on the FT-SE Index.

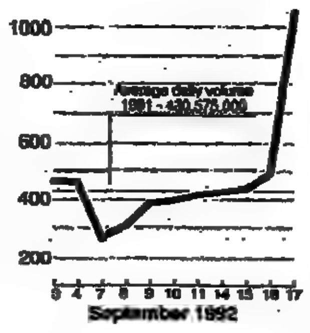
At least four trading programmes moved across the trading screens during the session and Sun Alliance took the opportunity of a strong market to carry off the sale of most of its stake in Commercial Union, attempted earlier this week.

The gain in the Footsie was trimmed briefly from 63.3 to 37.4 points, until the squeeze in gilts triggered fresh demand. At its best, the Footsie was 93.8 ahead for a two day gain of 188.7 points, outperforming the response to re-election of the Conservative government.

● Retail business in equities has begun to recover from dismally low levels as the stock market has sensed that base rates could soon be reduced.

London SE volume

Turnover by volume (million)



Insurance stake placed

COMPOSITE insurance group Sun Alliance, took full advantage of the recent upsurge in market sentiment and turnover to sell the majority of its holding in fellow-composite Commercial Union (CU). In a "bought deal" operation Sun sold a block of 60m shares to Smith New Court, the securities house, which, acting in conjunction with Cazenove, the agency broker, placed the shares with a number of institutions. The placing was completed in a matter of minutes, according the dealers.

Sun confirmed it had sold the CU stock at 470p a share. Smith New Court and Cazenove placed the shares at 475p a share, indicating that the two broking houses made a £3m profit of the deal, probably split fifty-fifty.

It is thought that Sun Alliance attempted to sell its CU shares earlier this week but that word of the deal leaked into the market, triggering a big slide in the CU share price as marketmakers sought to head off any sizeable selling of the stock.

Sun Alliance acquired a 13 per cent stake in CU in August 1989 at 465p from Adelaide Steamship, the Australian investment company then run by Mr John Spalvins who had built up the stake during the previous year. Sun Alliance's stake in CU has long been targeted as one of the few remaining sizeable "loose" holdings in the UK market.

The ease with which the 60m shares were placed ensured that CU were never under any real selling pressure. The stock ended the day unchanged at 489p, having dipped to 480p at worst.

Turnover, almost entirely made up of the 60m-share "bought deal", reached 123m shares. Sun Alliance closed 10 higher at 273p with a hefty 20m shares traded.

BAe raided

British Aerospace (BAe) appeared to become the victim of a bear raid and the shares took a dive shortly before the market close to make it the worst performing FT-SE stock in the percentage terms.

The story doing the rounds late yesterday was that the much predicted deal with Taiwan Aerospace on BAe's regional aircraft division had fallen through. This, so the argument went, would mean BAe will have to close the division forcing the company to make large provisions. Analysts however remained sceptical about the validity of the story.

There was also talk that the company could announce losses when it reports interim figures next Wednesday. Many analysts are already predicting a dividend cut when the results are announced.

The shares which yesterday enjoyed their last day as a FT-SE constituent had slowly crept forward, though underperforming the market for most of the session before the bear stories led to a reversal in the direction of the shares. They ended 10 lower at 189p on turnover of around 2m shares.

Guinness disappoints

The disappointing interim results from Guinness that were reported on Thursday, finally took their toll yesterday sending the shares tumbling against the strong market trend, as investors were advised to switch out of the stock.

Explaining the retreat Ms Michelle Proud at County NatWest said, "people are looking at the stock and saying there is no growth this year, and the stock is at a considerable premium to similar stocks in the sector."

The shares closed 11 down at 523p, with a majority of the day's trading involving switching out of Guinness and into Allied Lyons which jumped 39 to 623p. Turnover in Guiness was again heavy and reached 8.6m. Also wanted was Grand Metropolitan in which shares jumped 22 to 454p, in busy trade of 8.4m.

The oils remained in the forefront of the market's advance, amid another burst of buying interest prompted by the big impact on sterling oil prices of the pound/dollar rate.

BP delivered another disappointing performance, the shares managing only a minor gain, closing 2¼ up at 214½p on big turnover of 26m. Dealers said there had been no let up in the steady stream of selling orders from domestic institutions which outstripped persistent US buying. Shell, meanwhile ran up 9 more to 531p on 13m traded with the market pleased with the proposed deal between Shell Chemicals and Montedison.

Lasmo edged up 1¼ to 147½p after big two-way trading. Mr Alan Sinclair, oil analyst at Smith New Court, said the market had been "erroneously concerned about Lasmo's dividend paying ability; if there were doubts about the dividend with oil at £10 a barrel it's inconceivable they remain with oil now at £12 a barrel; with Enterprise at this level, Lasmo should be 200p a share." Burmah Castrol's big overseas earnings helped the shares jump a further 40 to 653p.

Hints that a series of hefty profits upgrades are being prepared by many of the market's leading analysts saw the big internationals and pharmaceuticals stocks extend the impressive performances that have followed the effective devaluation of sterling. Glaxo rose 28 to 841p, SmithKline Beecham 13½ to 554½p and Wellcome 38 to 933p. ICI put on 32 to 1137p and Reuters 32 to 1127p.

The prospect of a reduction in UK interest rates rather than the 15 per cent crisis level reached earlier in the week continued to drive the banks higher although there was consternation around the market at the slide in NatWest. The shares dropped 11, or just over 3 per cent, to 346p.

The sudden burst of big buying interest in the equity market, which brought with it hopes of a steep increase in corporate activity as the UK economy picks up, saw the merchant banks strongly supported. SG Warburg climbed 29 to 475p, Hambros added 22 to 236p and Kleinwort Benson rose 20 to 261p.

Another scintillating showing by UK markets gave a significant boost to the insurance companies solvency margins, and were reflected by big gains in share price. Lifes were equally in demand with Legal & General, also helped by the excellent interim figures, up 29 to 352p.

Shares in Thorn EMI moved 27 ahead to 720p boosted by recommendations from several brokers. BZW yesterday turned buyers of the stock and upgraded its year end profits forecast.

After a meeting with the company, analysts at the securities house came away less pessimistic about the interim figures expected in November, citing a better than expected performance of the music division. They now expect interim profits to remain around £95m. BZW however upgraded the full year figure by £10m to £330m to take account of the benefits of integrating recent purchase Virgin Music into the company.

County NatWest were also recommending thestock.

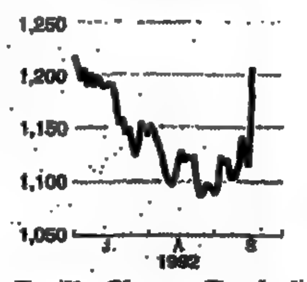
The reduced value of sterling continued to power Forte and the shares added another 22 to 161p. Turnover was a hefty 10m shares.

Food retailers were in demand yesterday. Argyll, gained 18 to 325p, following a positive meeting with analysts.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

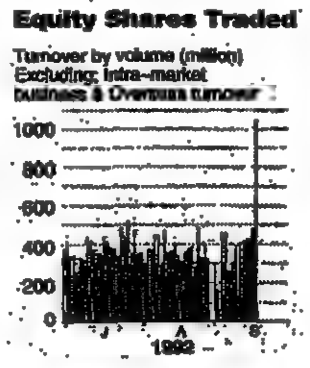
■ Other market statistics, Page 13

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (79). BRITISH FUNDS (15) Tr. 8¼pc '95, Tr. 10pc '96, Tr. 9½pc '94, Tr. 10pc '94, Tr. 9pc '94, Tr. 13pc '96, Ex. 10¼pc '96, Tr. 12¼pc '96, Tr. 9pc '92-96, Cv. 10pc '96, Ex. 10½pc '97, Tr. 8¾pc '97, Ex. 9¾pc '98, AMERICANS (8) CPC, Chrysler, Colgate-Palmolive, Echlin, FPL, Gillette, Morris (Ph), Pennzoil, Verity, CANADIANS (1) Amer. Barrick, BANKS (4) ABN, Bk. Ireland, HSBC, Lloyds, BUSINESS SERVICES (1) Penna, CHEMICALS (2) Bayer, Hoechst, ELECTRICALS (1) Motorola, ELECTRICITY (1) Scot. Hydro, ENGINEERING GENERAL (1) Siebe, FOOD MANUFACTURING (3) Acatos & Hutcheson, Unilever, Do N/V, FOOD RETAILING (1) Kwik Save, HEALTH & HOUSEHOLD (4) Amersham, Huntleigh Tech., SmKl. Beecham, Do Units, INSURANCE BROKERS (2) Alexander & Alex., Marsh & McLennan, INSURANCE COMPOSITE (1) American Gen., INSURANCE LIFE (1) Prudential, INVESTMENT TRUSTS (12) Flmg. Inc. & Cap. Zero Pf, GT Venture, Do Wts., Gartmore Amer. Secs. Zero Pf, Hong Kong Zero Pf, Murray Split Cap. Zero Pf, New Zealand Inv., River & Merc. Stppd. Pf, Robeco, Do Sub Shs., St. David's Zero Pf, Thai Euro. Fd., MEDIA (2) News Corp., [illegible], METAL & METAL FORMING (1) Johnson Matthey, MISCELLANEOUS (2) Bluebird Toys, Rothmans, OIL & GAS (6) Bula Res., Chevron, Exxon, Oliver, Royal Dutch, Shell, OTHER INDUSTRIAL MATERIALS (3) [illegible], Do 5.6pc Pf, Do 8¼pc Pf, PACKAGING, PAPER & PRINTING (2) De La Rue, Lawson Mardon, STORES (1) Next, MINES (1) Forsyth.

NEW LOWS (32). CANADIANS (1) Hawker Siddeley Can., BREWERS & DISTILLERS (1) Burn Stewart, BUSINESS SERVICES (1) BNB, CONGLOMERATES (1) Jourdan (T), CONTRACTING & CONSTRUCTION (4) Allen, Ashtead, BB & EA, Crest Nicholson 5¼pc Pf, Tilbury Douglas, Vibroplant, ELECTRICALS (2) Emess 6¼pc Pf, Maddox, ENGINEERING GENERAL (2) APV, Wilkes (J), FOOD MANUFACTURING (3) Borthwicks, Clarke, Clifford, FOOD RETAILING (1) Cullen's, HEALTH & HOUSEHOLD (1) Crown Eyeglass, HOTELS & LEISURE (2) Hi-Tec, Magnolia, INVESTMENT TRUSTS (8) Aberforth Smllr. Co's Wts., Drayton Korea Wts., Moorgate Inv., River & Merc. Wts., River Plate Wts., MEDIA (3) Anglia, Lopex, TSW, METAL & METAL FORMING (2) Ash & Lacy, [illegible], MISCELLANEOUS (7) Calderburn, Cosalt, [illegible], Hornby, Kenshaw (A), Relyon, Ricardo, MOTORS (2) Alexanders, European, OIL & GAS (1) North Sea Assets, OTHER FINANCIAL (1) Bridgend, PACKAGING, PAPER & PRINTING (1) Stat-Plus, PROPERTY (1) City Site Ests., STORES (5) Bentalls, Church, Fired Earth Tiles, In Shops, Liberty, TRANSPORT (1) Ocean Wilsons, SOUTH AFRICANS (1) OK Bazaars, MINES (1) Monarch Res. 'A'.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	72	1	2	205	165	5
Other Fixed Interest	10	1	4	34	30	11
Commercial, Industrial	622	111	692	1,937	1,516	3,664
Financial & Property	406	40	356	1,391	774	1,837
Oil & Gas	31	6	48	149	59	217
Plantations	0	2	7	7	3	35
Mines	36	32	81	266	104	375
Others	45	34	39	310	90	177
Totals	1,222	227	1,229	4,299	2,741	6,321

FINANCIAL TIMES STOCK INDICES

	Sept 18	Sept 17	Sept 16	Sept 15	Sept 14	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.74	89.22	89.55	89.14	90.11	87.72	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.21	104.99	105.47	106.34	106.46	96.79	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1885.2	1815.2	1716.4	1725.7	1775.4	2038.8	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	79.9	80.7	74.5	72.5	73.1	159.2	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2567.0	2483.9	2378.3	2370.0	2422.1	2600.3	2737.6 (11/5)	2281.0 (25/8)	2737.6 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1144.61	1111.40	1098.65	1091.61	1113.61	1174.90	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.69	4.85	5.08	5.17	5.06	4.66				
●Earning Yld %(full)	6.84	7.07	7.41	7.44	7.27	7.47				
●P/E Ratio(Net)(☆)	18.53	17.92	17.10	17.03	17.42	16.70				
SEAQ Bargns 5.00pm	42,836	37,148	22,530	19,968	24,614	30,900				
Equity Turnover(£m)†	-	2546.6	1181.0	695.0	971.7	1351.86				
Equity Bargains†	-	40,582	24,014	21,811	27,095	31,240				
Shares Traded (ml)†	-	1052.2	488.7	437.3	429.1	526.8				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT SE 100 31/12/83 & FT SE Eurotrack 200 26/10/90. ☆ Nil 17.19

Ordinary Share Index, Hourly changes Day's High 1892.0 Day's Low 1813.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1814.5	1857.6	1870.8	1853.6	1850.2	1873.0	1886.9	1878.0	1875.8

FT-SE 100, Hourly changes Day's High 2577.7 Day's Low 2483.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2483.4	2535.4	2547.2	2524.1	2521.3	2557.6	2572.1	2557.5	2552.2

FT-SE Eurotrack 200, Hourly changes Day's High 1155.36 Day's Low 1136.13

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1148.54	1137.38	1145.00	1143.83	1155.04	1141.72	1145.14

GILT EDGED ACTIVITY

Indices*	Sept 17	Sept 16
Gilt Edged Bargains	164.4	127.2
5 - Day average	120.4	104.5

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	21	428	+5
ASDA Group	8,400	39	+1
Abbey National	5,400	302½	+14½
Albert Fisher	3,800	26	+½
Allied-Lyons	3,400	623	+39
Amstrad	242	22½	
Anglian Water	3,000	407½	-½
Argos	1,200	252	+36
Argyll Group	10,000	327½	+20½
Arjo Wiggins	13,000	149½	+6½
Ass. Brit. Foods	698	486	+18
Ass. Brit. Ports	2,300	267	+30
BAA	2,500	680	+20
BAT Inds.	8,200	832½	+16½
BET	13,000	114	+4
BICC	1,900	276	+7
BOC	2,400	630	+3
BP	25,000	214½	+2½
BPB Inds.	4,500	164	+10
BT	29,000	347½	+8
BT New	5,300	244	+7
BTR	8,800	473½	+13½
Bank of Scotland	4,300	112½	+4½
Barclays	23,000	348	+10
Bass	3,600	540	+19
Beresford Int.	0	12½	
Blue Circle	5,600	172	+20
Booker	[illegible]	351	+17
Boots	3,800	467	+17
Bowater	1,300	703	+20
Brit. Aerospace	2,300	189	-10
British Airways	4,200	284	+8
British Gas	23,000	234½	-½
British Land	2,500	146	+8
British Steel	29,000	63¾	+3
Bunzl	1,800	97	+6
Burmah Castrol	907	653	+40
Burton	27,000	41½	+2½
Cable & Wire.	5,300	597	+24
Cadbury Schweppes	3,400	479	+14
Calor Group	316	380	+5
Carlton Comms.	2,100	644	+22
Coats Viyella	10,000	187	+4

	Volume 000's	Closing Price	Day's change
Comm. Union	123,000	489	
Cookson	3,200	158	+6
Courtaulds	2,400	475	+29
Dalgety	1,000	416	+26
De La Rue	[illegible]	[illegible]	+45½
Dixons	4,500	270	+30
Eastern Elect.	2,700	351	+1
East Midland Elect.	1,300	357	+4
Eng China Clays	2,600	411	+33
Enterprise Oil	2,400	401	+17
Eurotunnel Units	753	433	+21
FKI	4,600	88½	+5
Fisons	3,400	492	+8
Forte	10,000	161	+22
Gen. Accident	1,400	487	+9
General Elect.	18,000	237½	+9
Glaxo	6,700	841	+28
Glynwed Int.	[illegible]	218	+10
Granada	[illegible]	345	+19
Grand Met.	8,400	454	+22
GUS A	350	1300	+17
GRE	7,600	135	+5
GKN	431	405	+21
Guinness	8,600	523	-11
HSBC (75p shs)	10,000	387½	+61½
Hammerson 'A'	307	183	-5
Hanson	21,000	226½	+7½
Hanson Warrants	3,200	27½	+1½
Harrisons Crosfield	1,300	132	+7
Hillsdown	11,000	63½	+5½
IMI	2,000	259	+19
ICI	4,600	1137	+32
Inchcape	2,100	480	+17
Kingfisher	2,300	518½	+27½
Kwik Save	1,100	679½	+21½
Ladbroke	7,300	178	+25
Land Securities	5,000	380	+19
Laporte	[illegible]	532	+36
Legal & General	8,700	352	+29
Lloyds Abbey	821	368	+27
Lloyds Bank	6,200	449	+16
LASMO	13,000	147½	+1¼
London Elect.	[illegible]	378	

	Volume 000's	Closing Price	Day's change
Lonrho	774	70	-2
Lucas	4,300	84	+6
MB Caradon	2,200	264	+20
MEPC	2,700	297	+16
Manweb	1,200	422	+6
Marks & Spencer	12,000	306½	+15½
Midlands Elect.	1,700	390	
NFC	2,200	272	+11
NatWest Bank	13,000	346	-11
National Power	[illegible]	260	+3
Next	7,500	97½	+5½
North West Water	4,200	425	
Northern Elect.	759	395	+5
Northern Foods	4,700	246	+12
Norweb	433	407	+1
Pearson	2,300	361	+10
P & O	7,000	362	+10
Pilkington	10,000	88½	-3
PowerGen	[illegible]	271	+2
Prudential	6,000	262	+17
RHM	4,700	144	+8
RMC	2,100	456	+13
RTZ	5,100	627	+31
Racal	9,900	63½	-½
Rank Org	2,500	530	+36
Reckitt & Colman	[illegible]	620	+7
Redland	3,500	370	+10
Reed Intl	3,100	541	+10
Rentokil	2,700	173	+12
Reuters	2,500	1127	+32
Rolls Royce	8,600	131	+7
Rothmans	1,500	[illegible]	[illegible]
Ryl Bk Scotland	5,800	163	+6
Royal Insurance	5,500	142½	+1½
Saatchi	1,500	152	+4
Sainsbury	5,600	430½	+19½
Scottish & New.	1,200	424	[illegible]
Scot. Hydro-Elect.	4,400	217½	+8
Scottish Power	5,900	184½	
Sears	9,700	84	+1
Sedgwick	1,700	137	+6
Seeboard	1,000	381	+12
Severn Trent Water	2,800	392	+7

	Volume 000's	Closing Price	Day's change
Shell Transport	13,000	531	+9
Siebe	3,200	370	+15
Slough Ests	2,300	99	+2
Smith (W H) A	711	441	[illegible]
Smith & Nephew	3,700	140½	+5
SmithKline Beecham	6,300	554½	+13½
SmithKline Beecham Uts	2,800	493	+19
Smiths Inds	2,900	308	+20
Southern Elect	1,100	367½	+11½
South Wales Elect	489	440	+3
South West Water	406	405	[illegible]
South West Elect	673	379	+4
Southern Water	515	385	+7
Standard Chartd	2,500	438	+11
Storehouse	4,600	148	[illegible]
Sun Alliance	20,000	273	+10
T&N	3,200	147	+5
TI Group	3,300	328	+18
TSB	9,700	140	+5
Tarmac	5,900	67	-1
Tate & Lyle	2,700	343	+7
Taylor Woodrow	6,400	70	+2
Tesco	7,900	225	+15
Thames Water	3,300	410½	+6½
Thorn EMI	2,800	720	+27
Tomkins	6,100	261½	+8½
Trafalgar House	2,200	45½	+1½
Unigate	785	330	+27
Unilever	2,100	1058	+30
United Biscuits	3,800	303	+1
Utd Newspapers	5,800	387	+10
Vodafone	5,300	329	+21
Warburg (SG)	949	475	+29
Wellcome	4,700	933	+38
Welsh Water	711	439	+9
Wessex Water	378	508	+9
Whitbread 'A'	2,100	426	[illegible]
Williams Hldgs	4,800	301	+28
Willis Corroon	1,800	160½	+3½
Wimpey	2,300	97	+8
Wolseley	1,100	380	+5
Yorkshire Elect.	2,000	425	+7
Yorkshire Water	[illegible]	482	+8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

THE EXPIRY of the September contract on the FT-SE Index in no way impaired another powerful performance in derivatives yesterday, writes Terry Byland. The expiry passed off comfortably at the appointed time – just after 10.00am – and the December contract recorded 23,246 contracts by the official close, when it showed a a comfortable premium of around seven points against fair value, which is the estimated level allowing for carrying costs and dividends.

The December contract was spurred ahead by widespread predictions that UK base rates will be cut by at least two points before the end of the year. Such optimism was encouraged by comments from the UK chancellor of the exchequer and by falling short sterling rates. At best, September touched 2,644 but at one stage lagged slightly behind an over-excited underlying equity market.

Another heavy day in Traded Options saw 73,698 contracts dealt, against 69,249. The FT-SE traded 28,933 contracts compared with 27,204, an the Euro FT-SE was also busy, with 8,360 contracts. BP, 4,921 contracts, headed the list of individual stocks.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.2421	-	8.90	8.90	8.29
BELGIUM		8.750	08/02	100.8000	+0.050	8.62	8.86	8.98
CANADA *		8.500	04/02	105.7500	+0.150	7.64	7.35	7.26
DENMARK		9.000	11/00	98.5500	+0.875	9.25	9.79	9.88
FRANCE	STAN	8.500	08/97	98.8875	+0.781	8.78	9.37	9.42
	OAT	8.500	11/02	99.3700	+0.400	8.58	8.82	9.00
GERMANY		8.000	07/02	103.8250	+0.480	7.44	7.78	7.98
ITALY		12.000	05/02	91.8800	-	13.99†	14.28	13.89
JAPAN	No 119	4.800	06/99	99.7988	+0.061	4.84	4.78	4.72
	No 145	5.500	03/02	103.9585	+0.132	4.89	4.88	4.90
NETHERLANDS		8.250	08/02	102.7700	+0.560	7.83	8.23	8.34
SPAIN		10.300	05/02	88.0500	-0.100	12.46	12.87	12.19
UK GILTS		10.000	11/96	103-21	+1 1/32	8.91	9.88	9.80
		8.750	08/02	104-24	+32/32	9.01	9.30	9.23
		9.000	10/08	99-26	+12/32	9.02	8.94	9.00
US TREASURY *		6.375	08/02	99-20	-5/32	6.42	6.33	6.49
		7.250	08/22	98-16	-13/32	7.38	7.28	7.38
ECU (French Govt)		8.500	03/02	94.9500	+0.260	9.32	9.43	9.38

London closing, *denotes New York morning session Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal Technical Data/ATLAS Price Sources

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since January 2 1992 based on Friday September 18 1992

Water	+	27.56
Banks	+	18.01
Other Industrial Materials	+	17.82
Electronics	+	16.10
Electricity	+	14.04
Media	+	11.76
Motors	+	9.54
Textiles	+	9.11
Food Retailing	+	7.53
Other Groups	+	6.57
Stores	+	5.39
Transport	+	4.03
Industrial Group	+	3.20
Capital Goods	+	2.83
Brewers & Distillers	+	2.45
Engineering-General	+	2.14
Telephone Networks	+	2.06
Insurance (Life)	+	1.83
Conglomerates	+	1.74
Metals & Metal Forming	+	1.65
500 Share Index	+	1.54
All-Share Index	+	1.34
Consumer Group	+	1.22
Financial Group	+	0.98
Health & Household	-	0.78
Merchant Banks	-	1.44
Packaging, Paper & Printing	-	2.58
Chemicals	-	2.78
Investment Trusts	-	3.90
Food Manufacturing	-	3.98
Business Services	-	4.01
Engineering-Aerospace	-	5.45
Insurance (Composite)	-	6.09
Electricals	-	7.83
Oil & Gas	-	10.77
Hotels & Leisure	-	13.06
Building Materials	-	16.36
Insurance Brokers	-	31.62
Contracting, Construction	-	33.35
Property	-	34.42
Gold Mines Index	-	42.06

COMMODITIES

WEEK IN THE MARKETS

Gold shows a muted reaction

WHILE IT is true that the gold price has moved ahead this week, the subdued extent of the rise reveals the market's lack of response to the chaos in European currency markets. Yet again, it appears that an international crisis has by-passed the gold market.

However, there is no doubt the market is jittery. Gold closed on the London bullion market last night at $352 a troy ounce, up $11.75 on the week and $3.75 on the day. Yesterday's rise came in late trading after a quiet day which saw the afternoon fix at $347.20.

London was boosted by the early advance on Comex, where the active December gold contract was $4 up at $353.80 at midday in thin and nervous trading ahead of the weekend IMF meeting in Washington and the French referendum on the Maastricht treaty.

Most of the week's rise came on Monday as traders responded to the morning cuts in German interest rates, and ignored the strength of the dollar. The market rose $6.30 to close at $346.25, having moved above $348 during the day after the New York market opened higher than expected. There was little sign of heavy producer selling and traders said the market was looking to consolidate between $345 and $350.

That is exactly what it did throughout the currency market upheavals which followed. The London market closed at $349.40 after the Wednesday hike in UK interest rates, a rise of just over $3, and eased to $348.25 on Thursday.

Mr Andy Smith, precious metals analyst with Union Bank of Switzerland, believes that gold's behaviour has been unusual rather than remarkable – "outpacing the dollar's rise and emphasising the Euro-epicentre of the uncertainty." Taking September 3 as the market low at $338 and this week's high of $350, the market shows a rise of 3.5 per cent. In terms of Yen it has risen by 3.9 per cent; in Swiss francs by 6.5 per cent; in D-Marks by 10 per cent; in Lira by 20.6 per cent; in Australian dollars by 2.5 per cent; and in South African Rand by 6.7 per cent.

Italy, where local gold prices are up by one-fifth, is the biggest single European market for gold jewellery, Mr Smith points out. At the same time Australian and South African producers are getting A$480 and R1,000 a troy ounce, prices they have been happy to take for forward sales.

"There has got to be something else – another shock – to make the price jump," says Mr Smith. "Otherwise the market will come off again." All eyes in the market will be on the outcome of the French referendum.

Trading on the London Metal Exchange has been both nervous and thin during the currency market shenanigans. In the words of Nick Moore, analyst with Ord Minnett: "Base metal markets have behaved like the proverbial startled rabbit caught in the flare of the headlights."

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+1,[illegible]	to 1,[illegible]
Copper	+3,275	to 285,075
Lead	+3,075	to 169,900
Nickel	+[illegible]	to 44,874
Zinc	+675	to 354,760
Tin	+[illegible]	to 14,670

Copper, showed the most gains, closing yesterday at £1,383.50 a tonne, up £141 on the week, but in dollar terms it is only about $25 ahead. Helping to support prices has been the re-emergence of the threat of industrial action at Poland's KGHM, where a 24-hour strike has been called for next Wednesday.

The aluminium market has had only bearish news, particularly the Wednesday news from St Petersburg that exports from the CIS are expected this year to reach at least the same level as in 1991 – 848,000 tonnes – and possibly to exceed that figure by a further 100,000 tonnes.

Cash aluminium closed yesterday at $1,249.50 a tonne, down $22.50 on the week.

Of the softs, the cocoa market has seen the most action, soaring on Wednesday as sterling slumped, triggering short covering purchases. The London December contract closed at £655 a tonne, but has since retreated to close yesterday at the day's low of £629, only £11 ahead on the week.

Bearish news arrived from Gill & Duffus, the London trade house owned by E.D & F. Man, which yesterday predicted a reduced world cocoa production deficit of only 25,000 tonnes for 1992-93. This compares with an estimated deficit of 88,000 tonnes in the current season.

The London market has also ignored this week's International Cocoa Organisation talks, which have mooted the idea of selling off the organisation's buffer stock to Russia with the aim of reviving the country's chocolate industry. But as one delgate put it: "They are feeding soup to a dead man."

David Blackwell

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro ◊

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Societe Generale Tocqueville Remnant (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing – 12 Noon Nasmeric

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	57.98	57.98	62.01	+1.39	0
Eur Sp Sits Acc	5¼	38.14	38.14	40.63	+0.34	0
Eur Sp Sits Inc	5¼	36.54	36.54	38.93	+0.32	0
Far East Opps Inc	5¼	21.66	21.66	23.57	+0.46	0
Far East Opps Acc	5¼	[illegible]	[illegible]	23.96	+0.48	0
General Growth	5¼	82.12	82.12	88.23	+2.47	3.69
General Growth Acc	5¼	83.49	83.49	89.70	+3.02	3.69
Global Tech	5¼	85.24	85.24	92.24	+1.57	0
Income Growth	5¼	79.18	79.18	85.19	+2.86	5.50
Income Growth Acc	5¼	79.18	79.18	85.19	+2.86	5.50
Income Monthly	5¼	44.43	44.43	47.51	+0.85	7.30
Japan Growth	5¼	53.60	53.60	56.96	+0.62	0
Overseas Growth	5¼	58.42	58.42	62.27	+0.81	0
Smaller Cos	5¼	51.92	51.92	55.82	+0.33	3.63
Special Opps	5¼	68.44	69.74xd	74.98	+2.81	3.59
Wwide Sp Sit Acc	5¼	32.90	32.90xd	35.55	+0.54	0
Wwide Sp Sit Inc	5¼	32.82	32.82xd	35.47	+0.54	0
SGTR Pension Portfolio						
American Growth	6	34.73	35.29	37.40	+0.83	-
Eur Sp Sits	6	30.65	31.03	32.89	+0.28	-
General Growth	6	30.02	30.64	32.48	+1.09	-
Global Tech	6	33.38	34.32	36.38	+0.62	-
Income Growth	6	26.52	27.11	28.73	+0.94	-
Japan Growth	6	16.78	16.94	17.96	+0.20	-
Managed Equity	6					-
Overseas Growth	6	25.31	25.63	27.17	+0.36	-
Smaller Cos	6	13.22	13.50	14.31	+0.36	-
Special Opps	6	16.02	16.35	17.34	+0.44	-
Stlg Liquidity	6	33.87	34.47	35.91		-
Wwide Sp Sits	6	26.73	27.44	29.09	+0.44	-

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	50.92	50.92	51.42	+0.01	10.00
Cptrld Prfmnce	5½	48.76	49.07	52.34	+1.08	8.9
Ethical	5½	41.45	42.47xd	45.18	+2.03	5.5
European Growth	5½	48.85	49.06	52.33	+1.35	3.5
Income	5½	42.77	43.29	46.11	+1.80	8.1
Intl Growth	5½	64.68	65.10	69.43	+1.50	3
Managed	5½	55.96	56.59	60.36	+2.06	4.4
UK Growth	5½	45.41	46.01	49.07	+2.41	6.2

Standard Chartered Equitor (1200)F

COIF–Charities Official Inv Fd##
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Income Aug 31	469.45	470.13	----	6.32
Accum Aug 31	1784.46	1797.29	-	-
Fixed Int Income Aug 31	114.45	114.68	---	10.12
Fixed Int Accum Aug 30	142.95	143.24	---	-

Deposit Account, see Money Market Trust Funds

Charity Fixed Int Fd/Charity Equity Fd
33 Gutter Lane EC2V 8AS 071-382 6400 (Gen Enquiries) 071-382 3919 (Dealing)

	Bid Price	Offer Price	+ or -	Yield Gross
Charity Equity Inc	100.60	103.00xd	+4.51	4.70
Charity Equity Acc	101.60	104.00	+4.52	4.70
Charity Fixed Int Inc	[illegible]	[illegible]	[illegible]	[illegible]
Charity Fixed Int Acc	[illegible]	[illegible]	[illegible]	[illegible]

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Sep 18	131.6	137.0	+2.1	3.83
Japan Sep 17	76.71	78.81	+1.79	0.63
Sm Jap Cos Sep 18	367.5	377.6	+36.3	0.13
Latin American Sep 15	80.73	84.76xd	+1.04	0.59

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Exempt American Portfolio	109.4	111.0	+1.70	0.00
Mngd Pens P'folio	133.7	137.9xd	+2.70	2.15

Fledgeling Charity Portfolio
25 Copthall Avenue EC2R 7DR 071-638 5858

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	0.9671	0.9976	+0.0367	[illegible]
Bond	0.9776	1.0008	+0.0095	9.44

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	£491.71	498.93	---	1.55
Gen Exempt	£123.41	126.05	--	4.68
Jap Exempt	£364.48	371.65	--	1.22
Pacific Exempt	£112.18	114.72	--	2.00
Cond Euro Exempt	[illegible]	[illegible]	-	2.56
Indexed Exempt Sep 17	£117.31	120.24		4.97
Amer Indexd Exmt Sep 17	£106.76	107.83		2.63
Japan Indexd Exmt Sep 17	£49.48	50.48		1.04
Euro Indexd Exmt Sep 17	£91.44	93.28		3.31
P'sun Indexd Exp Sep 17	£93.48	95.5		2.39

Century Life Plc
2 Eyre Street Hill, London EC1R 5AE 071-278 4488
City Of Edinburgh Life Assurance

Eagle Star Life Assurance Co Ltd – Contd.

Henderson Administration(z)
3 Finsbury Ave, London, EC2 M2PA 071-638 5757

Life Association of Scotland
113 Dundas St, Edinburgh EH3 5EB 031-550 5000

NEL Britannia Assce Co Ltd – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135 3	142 4		-
Property Acc. (Gross)	257 8	271.3	...	-
Equity (Gross)	856 6	901 6	+36 6	-
Managed (Gross)	609 6	641.7	+21.3	-
Property Acc. (Net)	123 2	129.7		-
Equity (Net)	199 0	209 4	+7 7	-
Adventurous Managed	90 5	95.3	+3 6	-
Managed (Net)	188.0	197 9	+6 1	-
Cautious Managed	97 4	102.5	+1 2	-
International (Net)	166 9	175 7	+2.7	-
Gilt & Fixed Interest	143 2	150 8	+1.2	-
Money Fund	141 9	149.3	..	-
Mixed Fund (Cap)	108 8	114 6	—	-
Mixed Fund (Acc)	113 7	119 7	—	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	660.9	695.7	+20 7	-
Ret Man (Series 2)	224 2	236 0	+7 1	-
Ret Cash	201 2	211 7	.	-
Pens Mixed Fd (Cap)	120 1	126.5		-
Pens Mixed Fd (Acc)	125.5	132.2	...	-
Pens Stlg Fd (Cap)	104 8	110 4	.	-
Pens Stlg Fd (Acc)	109.5	115.3		-
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath 0444 458721				
American	133 0	140 0	+2.0	-
Building Soc. Fd	225 0	237 0		-
Balanced	250 0	264.0	+3.0	-
European	215.0	227 0	+2.0	-
GT Managed	182 0	192 0	+2 0	-
Gartmore Mngd	123 0	130 0	+3.0	-
German	131 0	138 0	+2.0	-
Gilt	162.0	171 0	+1 0	-
Global	37 0	39 0	+2 0	-
International Equity	191.0	202.0	+5.0	-
Japan	161 0	170 0	+2.0	-
Leisure	48.0	51 0		-
Managed	39 0	42.0	+2.0	-
Property	286 0	302.0		-
UK Equity	224 0	236 0	+8 0	-
Pension Funds				
American	252 0	266 0	+2.0	-
Building Soc. Fd	244 0	257 0	..	-
Balanced	213 0	225 0	+3 0	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Sep 16	£176 30	181.88	-	-
Equity Sep 16	£197.03	203 80	.	-
International Sep 16	£26 76	27 49		-
Intl Bond Sep 16	£14 79	14 98	.	-
Fixed Int Sep 16	£106 41	107 62		-
Index Linked Sep 16	£73 64	74 57	.	-
Property Sep 16	£109 79	115.85		-
Cash Sep 16	£31 4400	31.4400		-
Pre-Linked Retirement Plan				
Managed Sep 15	415 6	433 0	.. ..	-
Cash Sep 15	288 3	300 5	--	-
Prudential Pension Investment Account				
Pens Mngd Sep 21	175 2	192 0	+3 0	-
Pens UK Eq Sep 21	309 1	339 3	+5 5	-
Pens Intl Sep 21	203 2	217 9	+3.9	-
Pens Global Eqty Sep 21	99.5	104 8	+1.8	-
Pens Fixed Sep 21	246 0	259 6	+1 7	-
Pens Index Li Sep 21	195 7	206 7	+2.8	-
Pens Property Sep 21	88 8	93.5		-
Pens Cash Sep 21	188 4	198.3	-	-
Money Purchase Plan				
Discretionary Sep 18	97 9	105 0	+3 7	-
Equity Sep 18	99 7	107 2	+4 5	-
International Sep 18	90 0	96 2	+3 4	-
Global Equity Sep 18	96.8	103.7	+4 2	-
Intl Bond Sep 18	104 7	110 1	+3 2	-
Fixed Interest Sep 18	113.1	118 9	+2.0	-
Index Linked Sep 18	100 7	105 9	+1 6	-
Property Sep 18	99.1	108 7	.. .	-
Cash Sep 18	107.4	112.7	.. _	-
Prudential Individual Life Funds				
1 Stephen St, London W1P 2AP 071-548 3287				
Series I Life Funds				
Managed	579 1	609 6	+11 1	-
Equity	1168.2	1229 7	+29 9	-
Fixed Interest	500 5	526 9	+7 0	-
Property	391.4	412.0	+0 1	-
Cash	349 9	368.4	..	-
International	408.7	430.3	+6 7	-
Series II Life Funds				
Managed	[illegible]	[illegible]	+10 7	-
Equity	1126.3	1185 6	+28.8	-
International	395.2	416 1	+6.5	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	498.2	498.2	534.9	+7.1	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5¼	90.23	90.23	96.91	+5.47	-
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc Intl Fund	5	102.0	102.0	108.9	+3.28	6.2
Merc Intl Bond	5	54.99	54.99	57.80	[illegible]	8.0
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	[illegible]	1.0570	1.1117	[illegible]	10
Unibank Scandinavian Fund Ltd						
19-21 Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	9	-	115.91	123.49	-	1.0

ISLE OF MAN (REGULATED**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International		$10.69		-
SG Sterling International		£10.06		-
AXA Equity & Law Intl Fund Mgs				
European Equity	148.85	156.66	+6.87	-
Far Eastern Equity	$2.2019	2.3174	+0.0124	-
North Amer Equity	$1.7145	1.8045	+0.0092	-
UK Equity	155.29	163.44	+10.71	-
Global Equity	109.87	115.63	+5.59	-
UK Gilt & Fxd Int	100.54	105.81	+1.51	-
Dollar Deposit		$0.9811		-
Sterling Deposit		£101.21	+0.02	-
Managed Currency	99.76	104.99	+3.83	-

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sep 17	Sep 16	Sep 15	Sep 14	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3315.70	3319.21	3327.32	3376.22	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.08	102.86	102.93	103.04	103.08 (17/9)	98.41 (20/3)	103.08 (17/9/92)	54.99 (1/10/81)
Transport	1280.39	1272.13	1285.83	1308.25	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	219.20	219.58	219.14	221.39	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Ind. Day's High 3347.04 (3353.52) Low 3292.20 (3288.95) (Theoretical♦)
Day's High 3328.67 (3338.93) Low 3311.65 (3307.60) (Actual♦)

STANDARD AND POOR'S

	Sep 17	Sep 16	Sep 15	Sep 14	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	419.93	419.92	419.77	425.27	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials‡	496.81	496.46	496.43	503.30	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.03	35.13	35.07	35.45	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	230.97	231.07	231.04	233.73	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	385.16	385.52	385.73	390.05	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	587.82	585.89	587.86	594.21	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 11	Sep 4	Aug 28	year ago (approx.)
Dow Industrial Div. Yield	3.12	3.15	3.16	3.07

	Sep 16	Sep 9	Sep 2	year ago (approx.)
S & P Industrial div. yield	2.63	2.64	2.63	2.73
S & P Indl P/E ratio	27.77	27.46	27.52	[illegible]

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
GTE	6,318,200	33	+ 1/4
Royal Dutch	4,957,300	[illegible]	+ 1
Constar	3,423,000	32 1/4	+ 7 7/8
US Surgical	2,634,100	[illegible]	- 4 1/8
IBM	2,383,700	[illegible]	+ 5/8
Cadence	2,210,300	16 1/8	- 2 1/2
Unisys	1,938,600	8 7/8	- 1/8
Silicon Grph	1,863,000	[illegible]	- 1 1/2
Borden	1,794,200	26 1/4	- 1 1/4
RJR Nabisco	1,715,500	8 7/8	....

TRADING ACTIVITY

Volume (Millions)	Sep 17	Sep 16	Sep 15
New York SE	188.270	229.380	200.220
Amex	13.675	17.004	14.488
NASDAQ	183.164	181.506	183.013
NYSE			
Issues Traded	2,327	2,323	2,334
Rises	789	779	494
Falls	941	967	1,325
Unchanged	597	577	515
New Highs	47	54	[illegible]
New Lows	32	38	22

CANADA TORONTO

	Sep 17	Sep 16	Sep 15	Sep 14	1992 HIGH	1992 LOW
Metals & Minerals	2956.21	2944.58	2957.18	2975.59	3238.87 (16/1)	2828.26 (8/4)
Composite	3446.05	3453.80	3464.10	3470.40	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1787.96	1789.63	1804.87	1805.60	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

WORLD STOCK MARKETS

EUROPE

Euphoric response to Italian budget

A DEGREE of euphoria in Italy was one of the main features yesterday, as bourses waited for the result of the French Maastricht referendum on Sunday, *writes Our Markets Staff*.

MILAN welcomed the L93,000bn of deficit-cutting measures presented in Rome late on Thursday. The Comit index rose another 8.36 to 375.51, up 2.3 per cent on the day, and by the same figure on a week which saw drops of 3.3, 1.6 and 4.9 per cent on Monday, Tuesday and Wednesday.

Most leading blue chips rose, with Montedison up 6.7 per cent following the merger of its polypropylene operations with Royal Dutch/Shell. Mr John Stewart of Pastorino & Partners said that the deal put together Montedison's technical expertise with Shell's raw materials, that the high debt of Montedison's Himont subsidiary might be subsumed in this venture and that the deal could have a significant effect on Montedison earnings in 1993.

Pastorino were worried, however, by the budget's provision to tax corporate net assets by 0.75 per cent per annum, pointing out that this could cost Fiat, for example, 10 per cent of 1991's L1,114bn earnings.

FRANKFURT extended current share price themes as the DAX index rose 10.66 to 1,589.33, up 4 per cent on the week but well below its intraday high of 1,598.23.

Traders said that futures-related buying from the Deutsche Terminbourse (DTB) had pushed prices higher, but that selling pressure from abroad more than negated that.

The expiry of index and futures contracts pushed turnover up from DM5.9bn to DM9.7bn. Banks and insurance shares continued to outpace the market, lifted by interest rate cuts, the prospect of them and the rise in bond values reflected in a fall in the average bond yield from 8.21 to 7.76 per cent this week.

In carmakers, conditions continued to favour BMW, up DM7 to DM551.50, against Volkswagen which rose only 30 pfg to DM321.10 in a week marred by the currency threat to VW's overseas profit margins, and what economic austerity might to to its sales in the home market.

Constructions rose on hopes of lower interest rates, Bilfinger & Berger by DM,40 to DM900, and Holzmann by DM31 marks to DM925.

PARIS, quietly confident of a Yes vote in tomorrow's Maastricht referendum, closed at its highest level since the beginning of July. Assuming a positive result, a cut in interest rates is anticipated, and has been reflected this week in the rise of financial and bank stocks. The CAC-40 index closed 30.20 up at 1,882.94, 4.5 per cent better on the week. Turnover swelled to FFr4bn.

Peugeot went against the market after some analysts downgraded the stock following a meeting with the company in Paris yesterday. It was reported that Peugeot sales will suffer in the depressed European car market and lower full year profits are forecast. The shares dipped FFr39, or 6 per cent to FFr595.

Axa was another loser, down FFr28 or 3 per cent at FFr800 although it denied rumours that talks were being held with Aegon of the Netherlands on a possible merger.

AMSTERDAM had a good day in spite of a profits downgrade by Philips, which saw its shares lose Fl 1.80 to Fl 22.80. The CBS Tendency index put on 1.0 to 113.6, a 4 per cent advance over the week. BRUSSELS eased in late trading as the Bel-20 index slipped 1.32 to 1,130.24, up 4.7 per cent on the week. Turnover was BFr1.2bn. Delhaize retreated just before the close as its US division forecast disappointing third quarter earnings. Its shares fell BFr70 or 4.1 per cent to BFr1,640.

STOCKHOLM rallied on hopes that talks between the government and opposition parties would lead to a package of measures to reduce the budget deficit. The Affärsvärlden general index closed 23.4 higher at 758.7, up 5.3 per cent on the week.

While most sectors performed well, one of the day's losers was Skanska, the construction group, which said that it faced increased financing costs of SKr100m a day because of the 500 per cent marginal lending rate. Its free shares slipped SKr7, or 12.5 per cent to SKr49.

OSLO's advance was assisted by the stronger dollar and the composite index gained 11.97 to 336.15, a 7.2 per cent rise on the week. The industry index put on 20.97 to 594.30. Among the day's active issues Kvaerner free shares gained NKr11 to NKr146 on news that it was to take over an east German shipyard.

VIENNA, which has been outperforming many European bourses in recent days, closed the week in positive mood. The ATX index gained 29.69 to 835.70, up 12 per cent on the week. Austrian Airlines was actively traded, advancing Sch110 or 5.8 per cent to Sch2,010.

FT-SE Eurotrack 100 - Sep 18

Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1062.82	1066.71	1066.40	1066.45	1068.20	1068.51	1069.10	1070.95

Day's High 1071.42 Day's Low 1062.57

Sep 17	Sep 16	Sep 15	Sep 14	Sep 11
1058.13	1053.63	1051.69	1073.79	1033.57

Base value 1000 (26/10/90).

Spanish stocks falter on economic worries

But 1993 prospects may improve writes Peter Bruce

No-one could have scripted a more nerve-wracking scenario than the one facing Madrid's unhappy stockbrokers next week.

For more than a year now, with the general index languishing mostly in the mid to low 200s, brokers have been desperately trying to convince clients that the market is cheap and that a major rebound is just around the corner. It has never come.

Earlier this year the markets were stunned again by very bad inflation figures but the government seemed to have grasped the nettle in March when it published a rigorous plan to contain public spending and converge the economy with those of leading European Community member states.

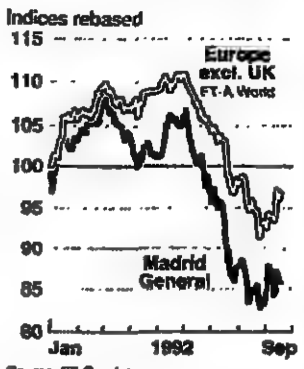
A few weeks later, however, data began to show a massive overshoot on public spending and the current account deficit, making it clear that spending targets contained in the convergence plan could not possibly be met this year.

In June the Danes voted against the Maastricht treaty and foreign investors, the mainstay of the equity markets, began to desert in droves. The government, determined to try and keep the convergence plan on target, then sideswiped the market again, just before the August holiday, by announcing a tough fiscal package which included raising VAT and income tax, raising the amount retained on incomes, and a slew of cuts on 1992 ministerial budgets not already committed.

Interest rates rose from 12.4 per cent to 13 per cent, but it was about then that the scale of French resistance to the Maastricht treaty began to become apparent; the peseta came under pressure.

In a fair world, the 5 per cent devaluation of the currency forced on the Spaniards this week should have been the last straw. But no. Tomorrow the French vote on the Maastricht referendum and in the next few weeks Mr Carlos Solchaga, the finance minister, will inflict probably the meanest budget in 10 years of government by the Socialist Party.

The market simply did not know what to do with the devaluation, so long resisted by the government and so often demanded by industry.



Source: FT Graphite

On Thursday the index moved hardly at all, to close marginally down at 210.98. Yesterday, while the government was working hard not to raise interest rates and insisting that devaluation would put less than than half a percentage point on inflation, the index gained 3.99 to 214.93 on renewed hopes for a Yes vote in France. The market has risen 4 per cent on the week.

What might the market do on Monday? In the worst case, and as far as the Spanish are concerned that means a No vote, brokers are preparing themselves for a fall. But even if the vote is a Yes, there is no guarantee that the market will behave any differently from the way it was behaving before the French referendum became an issue.

Partly, this is because the scale of this year's deficits. Also, doubts about interest rate cuts have forced long bond yields upwards, close to short term yields; and the Treasury is to finance the bulk of the $17bn requirement for the rest of the year in short term paper, thus draining more liquidity from equities.

Secondly, short-term interest rate uncertainty could hurt the rate sensitive but popular utility stocks. And the prospect of a tough budget (with public spending rising, possibly, no more than 5 per cent, down from the 8 per cent being suggested before the devaluation) will hurt already damaged construction and cement stocks.

But if the peseta survives a No vote, and the government sticks to its budget 1993 is actually looking quite bright.

For a start, the rise in VAT planned for 1993 was brought forward to last August. That, combined with the fact that the economy is slowing down so quickly now, with 1992 growth estimates having fallen from around 3 per cent to around 1.5 per cent, is more than likely to drive prices down and open the way for interest rate cuts next year. Even yesterday, the peseta was beginning to claw its way back, close to its new D-Mark parity of Pta68.42 after falling as low as Pta71.00

In the meantime, perfectly good stocks are still likely to be ignored. Spain's profitable big banks, by any measure, are cheap, with average price earnings ratios close to half of what they were in 1989. But the banks have huge capital adequacy ratios, about 14 on average, and have already provisioned about 4 per cent of their total loans.

Construction stocks, the other favourite with foreign and local investors, will probably have to wait longer for a fulsome recovery as public spending limits are going to cut deep in spite of Madrid's commitment to continue infrastructural spending.

Industrials are also likely to struggle to take advantage of devaluation, even although Spanish exports should be boosted by its effect. Industrial exports are low anyway, and with economic slowdown in the EC, Spain's biggest market, 5 per cent may not be enough to overcome the fact that very few companies – Tudor, the battery maker, and the Campofrio processed meats group among others – have well developed export networks.

AMERICA

Equities stay calm on triple witching day

Wall Street

US EQUITIES withstood the first round of yesterday's "triple witching" with equanimity, as prices held steady at midday in heavy volume, *writes Karen Zagor in New York*.

At 1 pm, the Dow Jones Industrial Average was 4.32 higher at 3,320.02 in heavy volume of more than 141m shares, with advancing issues leading those declining by a ratio of 9 to 7. Among other market indices, the Standard & Poor's 500 was quoted 1.37 higher at 421.30, while the Nasdaq composite fell 1.02 to 586.77.

The quarterly "triple witching", when stock index futures, stock-index options and options on individual stocks all expire, is usually marked by volatility. Yesterday morning was notable for its comparative calm.

In the bond market, prices moved broadly lower in the morning, but trading was light as investors awaited the outcome of the French referendum on Maastricht tomorrow. At mid-session, the treasury's benchmark 30-year bond was ⅜ lower at 98⅝, yielding 7.361 per cent, while shorter-dated maturities posted slimmer losses.

Blue chip stocks dominated big board trading in the morning, with Chrysler climbing $1¼ to a year-high of $22⅝, Merck slipping $⅜ to $46⅝, Coca Cola adding $¼ to $44⅝ and International Business Machines off $¼ to $83⅝.

Boeing edged $⅜ lower to $34⅝, a 52-week low, after PaineWebber cut its rating on the stock and reduced earnings predictions for the company, reflecting a weak market for jet aircraft. Boeing shares lost ground on Thursday on news of the company's agreement with PGA Group to defer delivery of aircraft worth $5bn for up to three years.

Shares in McDonnell Douglas, another big US aviation company, lost $⅛ to $40⅜.

In the insurance sector, shares in USF&G added $⅛ to $10⅜ in spite of news that the company expects its losses from Hurricane Andrew to be about $45m after taxes and reinsurance, compared with earlier estimates of about $40m. Shares in Aetna, which has a large exposure to Hurricane Andrew, rose $⅛ to $38⅛.

Photographic equipment maker Eastman Kodak edged $⅛ lower to $44½. The company said that its chief financial officer would retire on February 1.

In Nasdaq trading, Borland International tumbled $4⅞ to $42 in hectic business after Goldman Sachs cut its second quarter earnings estimates for the company to 20 cents a share from 25 cents, and reduced its fiscal 1993 projections by 20 cents to $1.45.

Other active Nasdaq stocks included Microsoft, down $1⅞ to $79⅞ and Intel, unchanged at $64⅛.

Food Lion, which reported third quarter net earnings of 10 cents a share, against 11 cents a year earlier, fell $⅜ to $9⅝.

Canada

TORONTO was mixed in moderate trade at midday, with significant gains confined to the gold and silver and real estate sectors.

The TSE 300 index edged up 1.7 to 3,447.7 in volume of 17.3m shares valued at C$205.7m. Declines outstripped advances by 207 to 191 with 227 unchanged.

On golds, a dealer said that the bullion price was up by about US$4.10 in December contracts. The gold and silver index rose 62.09, or 1.1 per cent, to 5,584.30 on solid gains by the sector heavyweights, American Barrick and Placer Dome.

SOUTH AFRICA

JOHANNESBURG remained quiet with selective buying of blue chips on the last day for investors to register for dividends. The industrial index advanced 19 to 4,127 while the overall index was up 13 at 3,167. Golds rose 2 to 921.

ASIA PACIFIC

Nikkei inches up on political support

Tokyo

JAPANESE equities closed marginally higher on late afternoon index-linked buying after Mr Kiichi Miyazawa, the prime minister, said that the government would, if necessary, take additional fiscal measures to support the economy, *writes Emiko Terazono in Tokyo*.

The Nikkei average closed up 50.28 at 18,166.80, barely changed on the week, recording a day's low of 17,758.13 and a high of 18,273.58. Profit-taking pushed the index lower during most of the session. However, late afternoon buying by arbitrageurs and investment trusts buoyed the market in the final hour.

Volume rose slightly to 330m shares from 283m. Analysts pointed out that dull volume represented possible near term sluggishness in share prices. Declines outnumbered advances by 527 to 399, with 203 issues unchanged. The Topix index of all first section stocks lost 1.58 to 1,354.05 and in London the ISE/Nikkei 50 index rose 1.23 to 1,085.70.

While some traders blamed volatile currency markets for the quiet trading others remarked that the effect of European currency movements on Japanese financial markets seemed to be minimal.

Activity centered on short-term trading of speculative issues. Mining and metal issues which rose on Thursday on reports of a gold mine discovery in southern Japan were traded actively. Mitsui Mining & Smelting, the most active issue of the day, advanced Y17 to Y470. However, Sumitomo Metal Mining fell Y34 to Y748 on profit taking.

Securities houses saw downward earnings revisions, and there was a modicum of downward movement although analysts said that the weak business prospects had already been discounted. Nikko Securities fell Y8 to Y725 and Yamaichi Securities Y25 to Y635, but Nomura Securities, the largest broker, remained unchanged at Y1,630.

In Osaka, the OSE average lost 110.26 to 19,391.15 in volume of 20.3m shares.

Roundup

A SELECTION of domestic and international concerns exercised the region yesterday.

AUSTRALIA put News Corp and BHP ahead of currency worries as the All Ordinaries index closed 11.8 higher at 1,523.6, 1.5 per cent up on the week in turnover of A$163.4m.

News Corp's presentation to analysts in Sydney, taking in a forecast of 20 per cent rearnings growth in 1993/94, pushed the shares up by 96 cents to A$24.36, while BHP rose 20 cents to A$12.20 after good first quarter results.

HONG KONG strengthened in moderate trade, reflecting gains in local stocks in London overnight and encouraged, too, by progress in Sino-British talks over the financing of Hong Kong's new airport. The Hang Seng index rose 51.42 to 5,689.32, 2.7 per cent higher on the week in turnover down from HK$1.94bn to HK$1.82bn.

HSBC again topped the active list and closed HK$1 higher at HK$54.50, followed by Wharf Holdings which leapt 70 cents to HK$16.30.

TAIWAN plunged at the opening after Thursday's 6.1 per cent drop, but finished mixed on institutionally-led, blue chip buying. The weighted index, down more than 120 points in early trade, ended 4.09 lower at a 20-month low of 3,437.60, 9.2 per cent down on the week. Turnover was a thin T$16.6 billion.

BANGKOK's finance, securities, property and bank shares rose on post-election bullishness, pushing the SET index to a new 1992 high, in the most active trade in the 17-year history of the market.

The index jumped 11.19, or 1.4 per cent to 835.45, 4.2 per cent higher on the week, in turnover of Bt16.67bn. Eight finance and securities issues were among the 10 most highly traded stocks, and several in this group reached new highs for the year.

BOMBAY took a breather, the BSE index rising just 5.44 to 3,383.62, up 5.1 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY SEPTEMBER 17 1992								WEDNESDAY SEPTEMBER 16 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	129.70	−0.3	107.97	101.95	100.00	118.06	+0.1	4.15	130.14	106.54	102.79	102.74	117.93	153.68	124.36	150.90
Austria (19)	158.02	+3.0	131.55	124.21	121.84	121.56	+0.9	2.40	153.44	125.62	121.20	121.14	120.53	186.70	139.27	182.11
Belgium (42)	143.40	+3.4	119.36	112.71	110.56	108.04	+1.4	5.69	138.66	113.52	109.51	109.47	106.52	152.27	135.87	129.36
Canada (114)	125.47	+0.3	104.46	98.62	96.73	110.62	+0.0	3.14	125.15	102.46	98.85	98.80	110.65	142.12	124.32	136.20
Denmark (33)	200.36	+1.8	166.79	157.49	154.48	158.69	+0.2	1.81	196.78	161.10	155.43	155.35	156.44	273.94	196.78	254.68
Finland (15)	54.95	+3.8	45.74	43.19	42.37	53.29	+1.1	2.65	52.92	43.33	41.80	41.78	52.69	89.80	52.92	92.17
France (102)	160.36	+1.4	133.49	126.04	123.63	127.60	−0.2	3.52	158.22	129.53	124.96	124.90	127.88	168.75	148.06	142.39
Germany (64)	115.97	+3.6	96.54	91.16	89.41	89.41	+1.1	2.58	111.97	91.67	88.45	88.40	88.40	129.69	111.97	109.99
Hong Kong (53)	233.15	+0.4	194.09	183.26	179.77	231.39	+0.4	3.65	232.24	190.13	183.43	183.35	230.47	259.55	176.36	160.29
Ireland (16)	148.98	+2.4	124.02	117.10	114.86	118.23	+1.4	4.56	145.54	119.14	114.95	114.90	116.55	173.71	145.54	163.55
Italy (78)	52.06	+5.7	43.34	40.92	40.14	47.78	+3.9	4.36	49.25	40.32	38.90	38.88	45.99	80.86	49.25	74.08
Japan (473)	109.02	+0.7	90.76	85.69	84.07	85.69	+0.2	0.99	108.24	88.61	85.49	85.46	85.49	140.95	87.27	131.60
Malaysia (69)	240.24	+0.7	199.99	188.83	185.22	232.38	+0.6	2.84	238.62	195.35	188.46	188.38	230.99	250.47	212.49	197.42
Mexico (18)	1243.59	+0.0	1035.22	977.51	958.82	4207.52	+0.0	1.43	1243.19	1017.75	981.91	981.45	4207.52	1789.77	1213.33	1193.67
Netherland (25)	163.36	+3.0	135.99	128.41	125.96	124.33	+0.2	4.56	158.66	129.90	125.33	125.27	124.03	167.29	147.88	140.56
New Zealand (14)	43.19	+0.5	35.95	33.95	33.30	42.03	+1.1	5.26	42.97	35.18	33.94	33.93	41.57	48.52	41.90	48.53
Norway (22)	141.82	+2.4	118.06	111.48	109.35	115.69	+2.7	2.09	138.51	113.39	109.40	109.35	112.66	192.95	136.40	197.17
Singapore (38)	186.69	−1.1	155.41	146.74	143.94	137.65	−1.2	2.38	188.81	154.57	149.13	149.05	139.26	229.63	180.71	192.29
South Africa (61)	178.40	−2.0	148.51	140.22	137.54	154.57	+0.5	3.30	182.02	149.01	143.76	143.69	153.75	263.60	175.15	251.28
Spain (48)	125.72	−2.2	104.66	98.82	96.93	98.53	−0.3	6.07	128.51	105.21	101.50	101.45	98.82	161.72	125.72	155.80
Sweden (30)	167.96	+0.8	139.82	132.03	129.50	137.38	+0.6	2.99	166.59	136.38	131.58	131.52	136.63	200.28	166.59	194.77
Switzerland (60)	118.45	+3.1	98.61	93.11	91.34	94.84	+0.8	2.26	114.91	94.07	90.77	90.73	94.11	118.45	95.99	93.61
United Kingdom (228)	174.21	+3.0	145.02	136.92	134.30	145.02	+4.7	5.07	169.19	138.51	133.62	133.58	138.51	200.07	165.85	179.99
USA (522)	171.20	+0.0	142.52	134.58	132.00	171.20	+0.0	2.96	171.22	140.17	135.24	135.18	171.22	173.39	160.92	157.39
Europe (782)	142.23	+2.7	118.40	111.80	109.66	114.60	+2.4	4.14	138.52	113.40	109.41	109.36	111.95	158.88	138.52	141.79
Nordic (100)	152.12	+1.3	126.63	119.57	117.29	118.21	+0.6	2.54	150.15	122.92	118.59	118.54	117.49	188.52	150.15	188.11
Pacific Basin (716)	113.48	+0.6	94.46	89.20	87.49	90.75	+0.2	1.34	112.75	92.31	89.06	89.02	90.54	141.97	93.70	132.59
Euro – Pacific (1497)	125.11	+1.6	104.14	98.33	96.45	100.47	+1.2	2.62	123.16	100.84	97.28	97.24	99.27	145.21	113.80	136.57
North America (636)	168.34	+0.0	140.14	132.34	129.82	167.08	+0.0	2.97	168.34	137.81	132.98	132.92	167.10	170.49	158.70	156.01
Europe Ex. UK (554)	122.59	+2.5	102.05	96.36	94.54	97.31	+0.7	3.48	119.63	97.93	94.50	94.46	96.61	132.98	119.63	119.10
Pacific Ex. Japan (242)	157.19	+0.1	130.85	123.57	121.20	141.22	+0.2	3.69	157.09	128.60	124.09	124.03	140.90	175.31	149.00	142.32
World Ex. US (1690)	126.33	+1.4	105.16	99.30	97.40	102.43	+1.1	2.64	124.52	101.94	98.36	98.31	101.27	146.91	116.18	138.41
World Ex. UK (1984)	137.30	+0.6	114.29	107.93	105.87	121.41	+0.2	2.60	136.48	111.73	107.80	107.75	121.16	150.58	127.21	140.33
World Ex. So. Af. (2151)	140.33	+0.9	116.82	110.31	108.20	123.24	+0.7	2.77	139.11	113.88	109.88	109.83	122.42	153.05	130.04	143.06
World Ex. Japan (1739)	158.47	+0.9	131.92	124.57	122.20	145.35	+0.8	3.41	157.07	128.59	124.07	124.02	144.17	165.40	153.20	151.59
The World Index (2212)	140.60	+0.8	116.96	110.44	108.33	123.55	+0.7	2.77	139.32	114.06	110.04	110.00	122.73	153.70	130.66	143.78

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

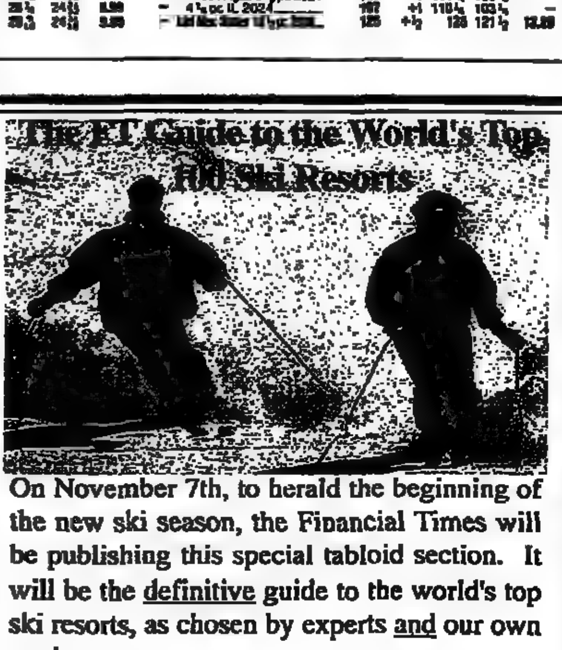
	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							

BRITISH FUNDS - Cont.

Index – Linked	Notes	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
[illegible]							



LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+or-	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	h	16⅞xd	+⅛	18¼	14⅝	14,317	1.9
♥Allegheny & W.		330p	—	339p	226p	178.2	4.6
Amdahl		[illegible]	+4	1158p	527p	598.3	1.0
Amer Cyanamid		32¼	−¼	37	28⅝	2,993	2.6
Amer Express		12⅞xd	[illegible]	13⅞	10[illegible]	6,115	4.1
Amer T & T		24⅝xd	−¼	24⅞	20⅛	32,748	2.8
Ameritech		35	−¼	36¼	32½	10,637	4.6
BankAmerica		25[illegible]xd	—	27⅛	19[illegible]	6,715	2.7
Bankers NY		35⅞xd	+⅛	37¼	28⅞	2,973	3.7
Bell Atlantic		26⅞	−⅛	27	23⅛	11,568	5.1
BellSouth		28⅞	−4	32⅞	25	14,116	5.0
♥Bethlehem Steel		7xd	+⅛	9⅝	5¼	628.5	–
Bowater		1117pxd	−13	1579p	905p	408.8	5.6
CPC	h	25⅛xd	+⅛	28⅛	22⅛	[illegible]	2.2
♥Cadiz Land Inc.		120p	—	342p	120p	–	–
Chase Manhattan		12⅞xd	+⅛	16½	9⅛	1,837	[illegible]
Chrysler		12⅛xd	+⅛	22¼	8¼	3,545	2.6
Citicorp		9⅛xd	[illegible]	11¼	5¼	[illegible]	–
Colgate-Palm		31⅞xd	+½	31⅞	25¼	5,084	2.8
Cont'l Bank		920p	−19	1030p	490p	929.7	3.4
Dana		22½xd	—	[illegible]	14[illegible]	1,031	3.7
Data General		555p	−31	1084p	384p	163.1	–
♥Decora Inds		116p	—	122p	66p	–	–
Dun & Brad		31⅛	−⅛	33½	27⅝	5,005	3.8
Eaton		43⅛	−1⅛	48¼	32½	1,487	2.7
Echlin		11[illegible]xd	+⅛	11[illegible]	7⅛	850.0	3.2
FPL		20[illegible]xd	[illegible]	20[illegible]	17[illegible]	[illegible]	6.3
Fluor		24¼	+⅜	27	19¼	2,087	0.8
Ford Motor		23½xd	+¼	26⅛	15	11,408	2.2
Gen Elect		44⅞xd	[illegible]	48¼	38⅛	38,337	2.8
♥General Host		530p	—	555p	360p	–	3.5
Gillette		32[illegible]xd	[illegible]	32[illegible]	23[illegible]	7,116	1.2
Hasbro		19¼	—	19¼	12⅛	1,850	0.5
Honeywell		38¼	+1⅛	43	32	2,878	2.3
Houston Inds		24¼	−¼	25	22	3,285	6.3
IBM		47⅝xd	+⅛	64½	42¼	27,180	5.3
Ingersoll-Rand		16[illegible]	[illegible]	19[illegible]	12[illegible]	1,717	2.2
Lockheed		26⅝	−⅛	27	22⅛	[illegible]	4.2
Lowe's	h	953p	−12	1273p	815½p	782.2	1.5
Merrill Lynch		28¼xd	—	30[illegible]	24⅛	3,025	2.1
Morgan (JP)		34⅛xd	—	37½	28[illegible]	6,495	3.3
Morris (Philip)		48[illegible]xd	[illegible]	48[illegible]	37[illegible]	44,448	1.9
NYNEX		46⅛	—	46¼	39⅝	1,434	5.3
Pall		16¼	−⅛	17[illegible]	10[illegible]	1,425	1.2
Pennzoil		30⅞xd	+¼	34⅞	23¼	1,253	5.1
Quaker Oats		35[illegible]xd	[illegible]	40[illegible]	28	2,676	2.8
Rockwell		14⅞xd	+⅛	15[illegible]	11½	3,314	3.2
Rep NY		23⅛xd	+⅛	26[illegible]	20⅞	1,215	2.2
Sears, Roebuck		22[illegible]xd	[illegible]	28	19[illegible]	[illegible]	4.6
Sthwestern Bell		30⅝	−¼	38⅞	31¼	[illegible]	4.2
Sun Co		14[illegible]xd	[illegible]	16⅞	12⅛	1,482	6.8
Tenneco		21xd	—	25[illegible]	16½	2,638	4.0
Texaco		35⅛xd	+¼	36⅞	30[illegible]	9,408	4.6
Time Warner	h	14[illegible]xc	[illegible]	15½	11½	5,388	1.0
♥Unilab		337p	—	587p	320p	212.0	–
♦URS Intl 1c		8¼p	+¼	[illegible]	0¼p	2.71	–
US West		21¼	−¼	21[illegible]	18¼	[illegible]	5.8
Varity		1282p	+6	1282p	632p	388.8	–
Waste Manage		20[illegible]xd	[illegible]	26	15[illegible]	10,127	1.3
Whirlpool		2213pxd	−8	2789p	1766p	1,545	2.6
♥Woolworth		17⅝	−⅛	18¼	13¼	2,288	3.3

CANADIANS

	Notes	Price £	+or-	1992 high	low	Mkt Cap £m	Yld Gr's
♥Abbot Energy		1¼p	—	2p	1¼p	–	–
Amer Barrick		1824p	+11	1854p	1268p	2,676	0.2
Bk Montreal		21⅜	—	23¼	19¼	2,881	4.1
Bk Nova Scot		1067p	−13	1176p	898p	2,248	4.0
♥BC Gas		761p	—	870p	621p	–	3.6
BCE		21	−⅛	24½	18¾	6,616	5.2
♥Brascan		840p	−17	867p	704p	760.2	5.2
♥Breakwater		16½p	—	33p	6p	11.8	22.6
Can Imp Bk		1367p	−3	1616p	1157p	2,534	4.1
Can Pacific		774p	−16	[illegible]	[illegible]	2,407	1.7
4pc Deb		38	—	38	34	17.8	10.5
♥Dorlan		[illegible]	—	[illegible]	221p	–	4.7
♥Echo Bay		370p	—	[illegible]	300p	297.8	1.0

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv.	♣†	153	+2	178	147	3.8	187.7	17.6
Warrants		25	+2	[illegible]	21	–	–	–
Scot Mortgage	♣	148	+2	167	135	2.5	178.3	17.0
Scot National Inc	♣	71	+½	107	65¾	16.6	–	–
Cap		22	+4	42	12½	–	–	–
Stepped Pf		139¾xd	+1½	142	126	9.8	–	–
Zero Div Pf		185½	+2	187½	166½	–	–	–
Warrants		3½	-½	9	3	–	–	–
Scot Value	ta	[illegible]	+½	[illegible]	48	4.1	60.4	2.3
Sec Alliance		1217	+8	1283	1066	4.1	1369.6	11.2
Second Market	♣	238	+2	244	222	[illegible]	306.8	22.8
Sec Tst Scot	♣	68	+2½	75½	61	[illegible]	70.6	3.7
Select Assets		85	+2½	102½	78½	1.4	132.3	35.7
Eq Ind Serl		111	+1	123	106	6.1	–	–
Eq Ind SerII		111	+1	123	106	6.1	–	–
Shires	♣	196xd	+3	[illegible]	168	12.5	201.0	2.7
11pc Cv Ln '03/04		£105	+2½	£119½	£95½	10.5	–	–
Stam Select		68	–	91	69	0.5	109.2	37.8
Warrants		18	–	21	10	–	–	–
Smaller Cos		[illegible]	+2	85	66	4.9	74.1	11.0
Warrants		14	+3	29	10	–	–	–
Somerset Tst		122	–	149	55	–	84.7	-44.1
Sphere Inc	N	12½	+½	20	9½	38.1	19.8	41.8
Zero Div Pf		68¼	+1	77¼	63¾	–	–	–
Sumit		31	+1	35	30	9.4	92.1	66.3
TR City of Lon		108½	+3½	127½	97½	5.8	110.2	1.6
TR Euro Growth		74xd	+1	[illegible]	70	2.4	99.1?	25.8
Ptg Sub		34xd	–	54	34	5.3	–	–
TR Far East Inc	N	[illegible]	+1	[illegible]	76	8.6	104.0	14.9

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181, quoting the code FT3185. Reports will be sent the next working day, subject to availability. Please quote the current code above, which is changed weekly. Only one report per company.

FT Cityline

Real time share prices are available through the FT Cityline telephone service.
Call 071-925 2128 for more details.

FINANCIAL TIMES
Weekend September 19/September 20 1992

Industry urges Treasury to cut interest rates while pound floats

UK trade deficit widens to £6bn

By Emma Tucker and Peter Marsh

BRITAIN'S current account deficit widened to almost £6bn in the first half of this year as exports of invisible goods, such as financial services dividends, failed to match expectations.

The figures led the Central Statistical Office to revise upwards the current account deficit in the second quarter from £2.6bn to £2.9bn, bringing the cumulative total for the first half to just under £6bn. This is only half a billion less than the forecast for the whole year by the Treasury in the March Budget.

Throughout the recession, Britain has continued to import more than it sells abroad, a trend which recently showed signs of worsening. Industrialists are hoping that this week's devaluation of the pound along with the prospect of lower interest rates will boost exports.

Yesterday senior industry representatives urged the Treasury to seek a quick cut in interest rates to take advantage of the pound's new free-floating state outside the European exchange rate mechanism.

The message from industry was pressed at a meeting between Mr Alan Budd, the Treasury's chief economic adviser, and economists from some of Britain's top companies including Imperial Chemical Industries, GKN, RTZ and Ford of Britain.

According to the CSO figures, the surplus on invisible items in the second quarter of the year was £336m, compared with an initial projection of £600m. This was, however, an improvement on the first quarter figure when the surplus dropped to £168m, the smallest surplus for seven quarters. The deficit on visible, or merchandise, goods, was £3.2bn in the second quarter compared with £3.1bn in the first quarter.

The news came as the Confederation of British Industry, the main employers' organisation, released a survey showing that manufacturers' order books remain below normal with price rises at their most subdued since the late 1950s.

The survey, carried out in the three weeks before the pound left the exchange rate mechanism, revealed that manufacturers remained gloomy about the economy, with most expecting output to fall over the next four months. Mr Andrew Sentance, an economist at the CBI, said the October survey could be more optimistic if interest rates were to fall.

Although some industry representatives at the Treasury meeting said they hoped the recession had bottomed out, they gave a generally gloomy opinion of the economic outlook.

One participant said: "While the lower exchange rate is likely to boost export sales, in the current climate of high interest rates and sluggish world economy you have to be an optimist to talk about recovery."

Chinese company seeks US listing

By Martin Dickson in New York

CHINA dramatically underlined its economic reform policies yesterday when a state-owned business announced plans to become the first Chinese company to sell shares in the US and to list on the New York Stock Exchange.

Brilliance China Automotive, a Bermuda-based company with a majority stake in mini-bus manufacturer Shenyang Automotive, plans to raise only $70m to $80m through an initial public share offer. But the move is an important test, designed to establish a precedent for equity fund-raising by state-owned Chinese businesses in the leading western capital markets.

The Chinese could have chosen easier equity-raising routes, for example, a private placement with large US institutional investors, but sought a full public offering as the best means to test the western market. First Boston, the US investment bank lead managing the offering, is also planning to offer part of the issue in London and Zurich.

The accounting firm of Arthur Andersen has restated the company's entire Chinese accounts to conform with US Generally Accepted Accounting Principles, in an effort to satisfy the Securities and Exchange Commission.

The SEC demands that foreign companies state their accounts in a way which allows US investors to readily compare their performance with similar US businesses. This has involved it in a heated dispute with the New York Stock Exchange, which is keen to attract new foreign listings and would prefer less onerous regulations.

Brilliance still requires SEC approval for its share offering, but the NYSE said yesterday it that had already approved the company for a listing.

The offering consists of 5m shares in Brilliance, expected to be priced between $14 and $16 a share.

Brilliance is owned by a Chinese government agency and is domiciled in Bermuda for tax, legal and other reasons. The offering represents a stake of about 14.5 per cent in Shenyang Automotive, which has an extensive relationship with Toyota.

Its US accounts show 1991 net income of $8.4m on sales of $114.4m. It will use the proceeds for new equipment and to increase the domestic content of its vehicles.

After the offering, Brilliance intends to apply for a listing of its shares on the Hong Kong Stock Exchange, where some other Chinese companies are already quoted.

African National Congress supporters standing yesterday by the coffins of some of the 28 demonstrators shot last week by security forces in the Ciskei homeland. The massacre led to further clashes over violence between the ANC and South African president F.W. de Klerk

NatWest cuts back on small company market-making

By Richard Waters

THE MARKET for shares in smaller UK companies suffered another body blow yesterday with the news that County NatWest, part of National Westminster Bank, would stop making markets in between 200 and 300 companies.

County's retrenchment follows a similar move by Warburg Securities, another leading securities house, which dropped 360 small company stocks a fortnight ago. Others, such as Barclays de Zoete Wedd, have also trimmed back their operations, though on a smaller scale.

The cuts leave a growing number of companies without at least two market-makers willing to quote prices in their shares, making it impossible for normal stock market trading to continue. Even before the Warburg and County moves, some 130 companies had been forced on to the London Stock Exchange's Bulletin Board, an electronic system in which brokers post "buy" or "sell" orders in small company shares.

The exchange said its domestic equity market committee would meet next week to consider ways of improving the Bulletin Board. The system has been criticised by brokers, who say it does little to encourage trading.

The move by County, which has yet to decide exactly which companies it will drop, was part of a decision to disband its small companies team, with the departure of two analysts and two salespeople. Analysts specialising in particular sectors would now be responsible for researching small companies, said Mr Philip Augar, head of equities.

While most market-makers have pulled back from small companies, two – Smith New Court and Winterflood Securities – this week said they would extend the range of companies they covered.

The deterioration of the market in small company shares is causing growing concern among the companies concerned, who fear it will become more difficult to trade their shares and raise money on the stock market.

"They have paid large amounts for listing fees and they've been relegated to the position of second-class citizens," said Mr Brian Winterflood of Winterflood Securities. County said it had made 15 to 20 people redundant last week out of a total of 120 to 130 in its equity department.

Cabinet divisions

Continued from Page 1

rency markets, changes in German economic policy that enhanced international stability and an examination of co-operation between EC governments.

Mr Lamont's remarks provoked a surge in the stockmarket where traders are anticipating a further cut soon in interest rates. They also spurred Euro-sceptic backbenchers to insist that the British government rule out permanently any return to the ERM.

Mr Kenneth Baker, a former party chairman, joined ERM critics by insisting that the target of a single European currency by the end of the century could now be ruled out. He argued that interest rates should come down to 6 per cent.

Pro-European Tory MPs stepped up their efforts to counter the onslaught, however. Mr Hugh Dykes, a federalist backbencher, argued that ERM membership remained a key to "the country's future prosperity".

Major's call

Continued from Page 1

call on Thursday for a special European summit to reassess developments in the European Community, saying the need for such a meeting was "urgent".

It emerged that Italy might be having second thoughts about its ability to comply with Thursday's commitment to rejoin the ERM next Tuesday. This reflects doubts in the money markets about the advisability of the lira returning so soon.

THE LEX COLUMN

Banking on lower rates

With the London market up nearly 200 points over the last week, there is no disguising the sea change in perceptions prompted by Britain's withdrawal from the ERM. One has to wonder, however, how great will be the change in policy stance once the immediate shock is over. If the ERM survives tomorrow's Maastricht vote in France, Britain will hardly be back inside. That seems certain after yesterday's Anglo-German slanging match. But Mr Major is adamant that he still regards tackling inflation as a priority. All the more reason, then, to expect him to proceed with caution in cutting base rates till a more coherent policy is back in place.

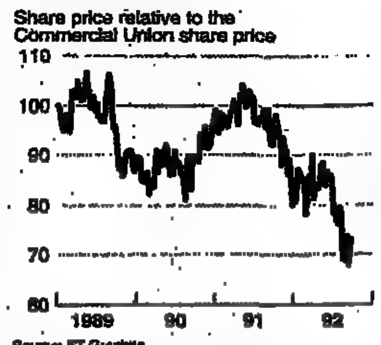
The beguiling notion is that, having bitten the devaluation bullet, the government is free to set interest rates as low as needed to revive demand. Weak money supply and credit growth suggests there is no inflationary pressure in the pipeline. But it would only take a small acceleration of UK price rises to erode the devaluation advantage when continental inflation is low and falling. The very speed with which equities have risen during the last three days suggests the British inflationary psychology was suppressed rather than eradicated by the recession. Price pressures could build up again quickly as hard-pressed companies avail themselves of every opportunity to rebuild margins.

One difference from the non-inflationary depreciation of the early 1980s is that then we had a fiscal squeeze. Curiously, the public spending round seems all but forgotten now. The government still needs some way of signalling it means business on inflation. Political pressure for another cut in base rates is surely strong. If there is a response, it could be grudging. The equity market is in danger of discounting too much too soon.

FT-SE Index: 2567.0 (+83.1)

Sun Alliance

Share price relative to the Commercial Union share price



Source: FT Graphite

German bonds

Whatever the outcome of tomorrow's French referendum, and despite the collapse in convergence arguments following sterling's exit from the ERM, German bond yields will almost certainly continue to be a reference point for other European bond markets. German yields should remain well below those of other states, even if a Yes vote eases pressure on the ERM. Yet this week's issue of some DM6bn bonds for the Treuhand agency, responsible for privatisation in eastern Germany, is a reminder that heavy supply is in the offing. When the various elements are totted up, Germany's public sector deficit is some 5 per cent of GNP. Official estimates that this will fall to 3 per cent by 1996 depend on projections of economic growth which look over-optimistic.

Germany still lacks a credible policy to bring the deficit down, and the reconstruction bill is mounting in the east. The Treuhand is likely to be a heavy borrower over the next couple of years. As in the US, these demands for public finance can probably be met while the economy remains depressed and the savings ratio is high. But any return to trend growth in Germany could mean consumption starving the bond market of funds.

If investors can be persuaded to move money from deposits into bonds, monetary growth will slow, pleasing the Bundesbank. The trouble is that the central bank's own tight money policy is keeping short-term deposit rates above 9 per cent. So selling bonds on a yield of 7.5 per cent is an uphill task. A bunching of new issues between now and the year end could exacerbate the difficulty. Germany's good inflation record provides an underpinning for bond yields, but investors should keep an eye on costs in the east.

UK composites

Sun Alliance will be mightily relieved to have got rid of most of its 13 per cent holding in Commercial Union at a small profit yesterday, not least after bungling its first attempt at a bought deal earlier in the week. To be fair to Sun the CU share price has outperformed the market by 23 per cent since the day in August 1989 when it first picked up the loose stake. As the company is all too painfully aware, however, this was no ordinary portfolio investment.

Sun's ambition was to protect the UK insurance industry from foreign predators anxious to build a UK presence ahead of the single European market. But the widespread expectation was that it would not stop there. In the event CU's relatively young management team was not prepared to countenance a merger on friendly terms, and a hostile bid was never on the cards. More pertinently, Sun's once legendary financial strength has been sapped by huge losses on its mortgage indemnity account, a nightmare which will overshadow its results until the mid 1990s.

CU shareholders are doubtless relieved that they have not had to shoulder the burden of this black hole, though one can argue that a combined Sun Alliance/CU would have gone some way to sorting out the UK insurance sector's overcapacity. Further rationalisation is inevitable, but it will happen more slowly and less visibly than might have been the case. The late 1980s enthusiasm for cross border alliances – once touted as the biggest spur to greater efficiency – has been badly dented by bad experience and a poor operating environment. Forthcoming interim results from the French insurers are likely to demonstrate that it is not just Sun Alliance which has to concentrate on putting its own house in order.

Philips

Profit warnings are a hazard at this stage of the cycle, but for Philips they have become alarmingly routine. Yesterday's unexpected announcement that net income this year is likely to be no better than about half the 1991 result, for example, contrasts with an admittedly cagey but markedly less gloomy statement in its report at the end of the second quarter.

The trouble for the market is gauging precisely the extent of the problem. The company was clearly not alone in mistakenly seeing an early end to the recession, but it is hard to believe that the dollar exchange rate is the major issue. More worryingly, this may be a smokescreen for the extent of price weakness and volume decline in European consumer electronics. The question for the shares – down 7.5 per cent yesterday – must be whether the latest action on costs is going to be enough.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (DM)			
Rises			
Aachen Mch	725	+	25
Goldschmidt	905	+	23
Holzmann	925	+	33
Falls			
Colonia Konz	720	–	20
Lahmeyer	581	–	14
PWA	158.7	–	8.3
New York ($)			
Rises			
Chrysler	22⅝	+	1¼
Falls			
Boeing	34⅝	–	¾
Borland	42	–	4⅝
Ford Lux	9⅞	–	¾
Merck	46⅛	–	¾
Microsoft	79¼	–	1⅞
New York prices at 12.30pm.			
Paris (FFrs)			
Rises			
AGF	425	+	15
Cap Gemini	198	+	14
Cetelem	850	+	36
Schneider	641	+	26
Falls			
Axa	800	–	28
Imm de France	760	–	36
Tokyo (Yen)			
Rises			
Hitachi Elec	1160	+	80
Kawashima Text	459	+	32
Sankyo Seiko	1200	+	110
Falls			
Chuo Paperbd	328	–	28
Ikeda Bussan	210	–	20
Toshiba Chem	970	–	80
London (Pence)			
Rises			
Allied-Lyons	623	+	39
Body Shop Intl	181	+	12
Eurotunnel Units	410	+	11
Forte	161	+	22
Hartstone	170	+	20
Kleinwort Benson	261	+	20
Laing (J) A	148	+	25
Legal & General	352	+	29
Menzies (J)	361	+	21
Misys	269	+	21
Sheffield Insltns	82	+	6
Simon Eng	159	+	21
Southend Prop	49	+	11
Unigate	238	+	27
Wilson Bowden	265	+	14
Falls			
Allen	67	–	10
Bentalls	81	–	6
Boxmore	164	–	8
City Site	9	–	15
Ewart	50	–	6
Macallan-Glenlivet	158	–	10
NatWest Bank	346	–	11
Ocean Wilsons	31	–	6
Proudfoot (A)	129	–	25

World Weather

UK Today: Much of the country will have a dry and bright morning. However, eastern areas will be cloudy with outbreaks of rain. Eastern Scotland will remain dull. Rain in Northern Ireland and western Scotland will spread southeast.

		°C	°F																
				Cairo	S	31	88	Inverness	C	17	63	Milan	S	27	81	Salzburg	S	19	66
Ajaccio	S	26	79	Cape Town	C	18	64	Isle of Man	S	17	63	Montreal †		–	–	S'Francisco †		–	–
Algiers	S	29	84	Cardiff	C	18	64	Istanbul	S	26	79	Moscow	F	14	57	Seoul	F	26	79
Amsterdam	F	17	63	Chicago †		–	–	Jersey	S	18	64	Munich	S	20	68	Singapore	F	[illegible]	88
Athens	S	29	84	Cologne	S	22	72	Johannesburg	S	27	81	Nairobi	C	24	75	Stockholm	F	13	55
Bahrain	S	37	99	Copenhagen	S	17	63	Las Palmas	S	25	77	Naples	F	28	82	Strasbourg	F	22	72
Barcelona	F	26	79	Corfu	S	28	82	Leeds	C	17	63	Nassau		–	–	Sydney		–	–
Beijing	T	24	75	Dallas †		–	–	Lisbon	S	23	73	Newcastle	C	14	57	Tangier	F	26	79
Belfast	C	15	59	Dublin	C	17	63	Locarno	S	23	73	New Delhi	S	30	86	Tel Aviv	S	31	88
Belgrade	S	23	73	Dubrovnik		–	–	London	C	18	64	New York †		–	–	Tenerife	S	24	75
Berlin	S	18	64	Edinburgh	C	14	57	Los Angeles †		–	–	Nice	S	24	75	Tokyo	F	24	75
Biarritz	C	19	66	Faro	S	27	81	Luxembourg	C	15	59	Nicosia	S	29	84	Toronto †		–	–
Birmingham	C	15	59	Florence	S	28	82	Madeira	C	23	73	Oporto	S	20	68	Tunis	S	30	86
Blackpool	F	18	64	Frankfurt	S	21	70	Madrid	S	29	84	Oslo	F	14	57	Valencia	F	27	81
Bombay	F	30	86	Geneva	F	22	72	Majorca	F	28	82	Paris	C	17	63	Vancouver †		–	–
Bordeaux	C	20	68	Gibraltar	C	23	73	Malaga	C	25	77	Perth		–	–	Venice	S	26	79
Boulogne	C	17	63	Glasgow	C	16	61	Malta	S	27	81	Prague	S	18	64	Vienna	S	19	66
Bristol	C	16	61	Guernsey	F	16	61	Manchester	F	20	68	Reykjavik	R	9	48	Warsaw	C	15	59
Brussels	F	19	66	Helsinki	C	13	55	Melbourne	R	11	52	Rhodes	S	27	81	Washington †		–	–
Budapest	S	30	86	Hong Kong	C	28	82	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	F	13	55
Buenos Aires		–	–	Innsbruck	S	23	73	Miami †		–	–	Rome	S	26	[illegible]	Zurich	S	21	70

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

Weekend FT

SECTION II

Weekend September 19 / September 20 1992

The Long View/**Barry Riley**

From Madrid to Maastricht

SELDOM CAN a British government's economic policies have collapsed so completely as happened this week. And seldom can the disaster have been so richly deserved.

The approach was wrong from the beginning. Only if the British economy had been aligned with its Continental counterparts before joining would there have been any great hope of permanent integration. Margaret Thatcher understood that with her "Madrid conditions", which were ultimately ignored. In the event the Treasury chose, in October 1990, a central exchange rate of DM2.95 which was intended to help depress UK inflation (then an alarming 10.9 per cent).

As I put it that month in this column: "We have entered the ERM as a refuge from the renewed burst of inflation and devaluation which would otherwise be inevitable."

The exit from the ERM threatens to bring about the kind of shock for savers which I warned about two weeks ago. Inflation over the next year could easily be 6 or 7 per cent, wiping out High Street deposit returns net of tax even if money market rates stay at 10 per cent. Gilts have become substantially higher in risk, without the shelter of ERM membership.

The equity market predictably celebrated, and institutional fund managers will be relieved that they stuck to their heavy weightings of equities throughout the two years of ERM membership. During that period there was substantial outperformance by bonds, in sharp contrast to strong equity growth typical of much of the postwar period.

There were, of course, always doubts about John Major's timing and staying power over ERM entry. Perhaps the government might have hoped for better luck with German interest rates, although in late 1990 it ought to have foreseen what might happen in the wake of unification.

But in the end the huge burden of personal and corporate indebtedness would surely have brought sterling down. The economic impact of this debt mountain is essentially what has triggered this week's U-turn, even more than the French referendum on Maastricht. The markets finally decided that the high interest rate strategy was impossible to sustain. In those circumstances to try to defend sterling with 15 per cent rates showed extraordinary lack of judgment.

Now we have to cope with the renewed burst of inflation and devaluation. It will not be at all pleasant. But a recession is the best time for a devaluation, and on balance we should be optimistic. A real disaster of economic decline and financial collapse was threatened by

the strategy which Norman Lamont was pursuing until Wednesday this week. Now there is an opportunity for a different chancellor to strike off in a new direction. There is an obvious parallel with the 1930s, when after devaluing in 1931 the UK achieved quite reasonable economic growth (and the stock market doubled between 1932 and 1936).

But the inflationary consequences will be significantly worse this time: there is no sterling area to shelter us. Within the ERM we were still running an underlying inflation rate of about 4 per cent. We can forget about John Major's zero inflation, and about the 2 to 3 per cent to which we might have aspired if the sterling-DM parity had held indefinitely. Will we go back to the 6.9 per cent average of the 1980s or to the 10.3 per cent which was the average over the whole period of floating from 1972 to 1990? We cannot begin to guess until a new, independent monetary policy emerges.

There remains a danger that the debt burden that has forced the UK out of the ERM will force sterling much lower still. The quickest way to eliminate debt is by inflation. In 1975 nearly 20 per cent of the debt burden was got rid of in this way.

As for 1992, the Americans have cut short-term interest rates to 3 per cent and the UK is in much the same economic and financial plight. With unemployment still racing ahead the political pressure to bring interest rates down will intensify. We shall not, however, be given any honest warning of an inflationary change of strategy: the official method of presentation is always that devaluation should be blamed on speculators (and possibly on malevolent foreign central bankers) but certainly not on the inflationary policies that caused it.

Our problems date back to long before we entered the ERM. Between 1984 and 1988 the UK enjoyed a prodigious economic boom during which gross domestic product rose by 18 per cent in four years to a level which will not be reached in 1992. The boom was largely fuelled by a debt explosion which continued into 1989 (when the annual increase in M4 lending reached £90bn) and 1990; personal indebtedness in relation to income is still nearly twice as high as it was ten years ago.

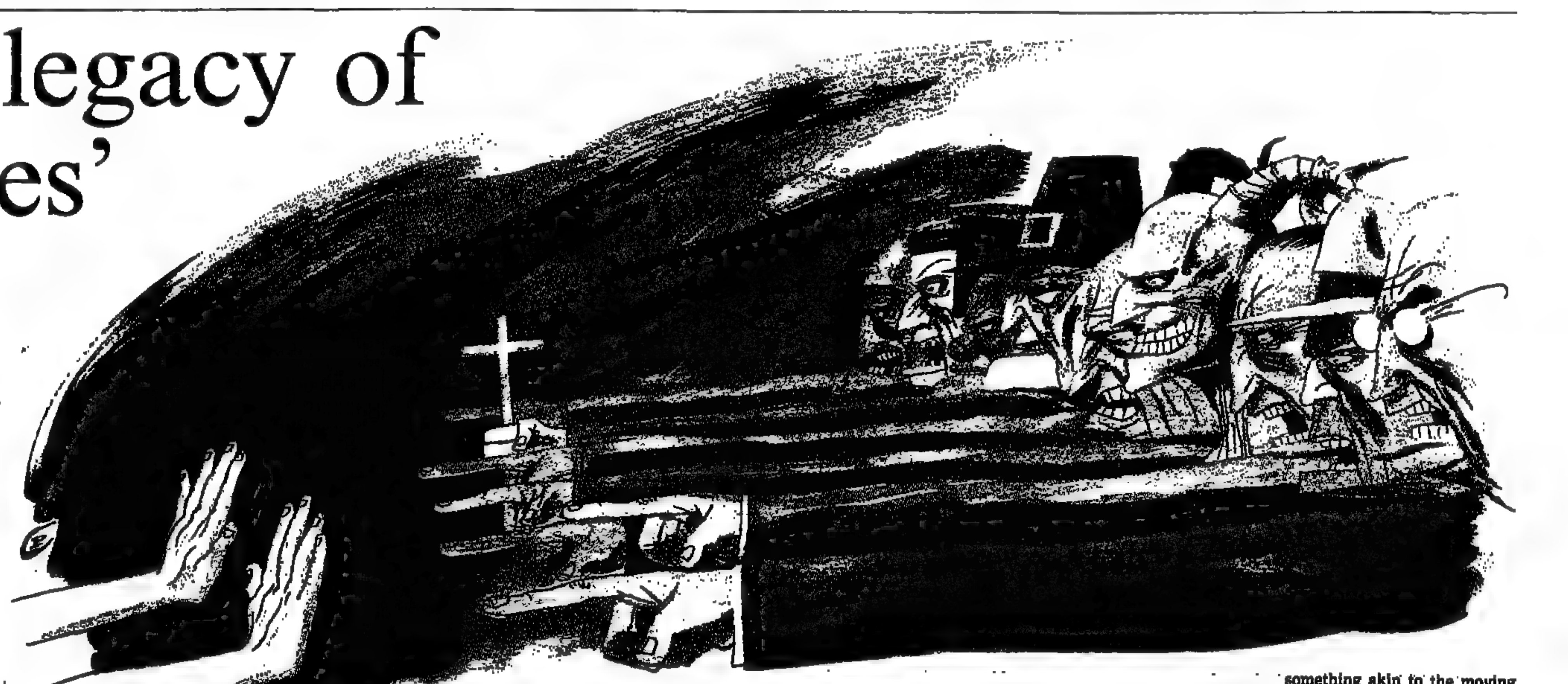
The government has never had a credible policy for dealing with this problem, although with more than 1m families now financially wiped out by their mortgages it has at least begun to take notice. A rapid rise in nominal personal incomes would be the most attractive solution to many politicians.

However, although we have left the ERM this is not yet 1974 or 1980 revisited. The government has to sell a lot of gilt-edged to foreigners and will worry about the yield premium it has to concede over dollar or D-Mark debt. At home, depositors can easily switch into foreign currency accounts which might start to become very popular if sterling short-term rates are brought down a long way.

Ironically the Footsie Index jumped more than 100 points on the UK's ERM entry, then did the same when we left. There is precious little logic in that except that shareholders may think that the more often we move in and out of the ERM the better.

The grim legacy of the 'witches' of Salem

*Three hundred years ago 20 innocent people were executed in a frenzy of demon-hunting. Today, Salem's ghosts still haunt us, as **Robin Briggs** explains*



THREE HUNDRED years ago on Tuesday an execution took place at Gallows Hill near Salem Village, Massachusetts, which has since haunted America's national consciousness. Seven women and a man were hanged for witchcraft, mainly on the evidence of a group of village girls who were apparently suffering fits and seizures after experimenting with the occult.

These victims turned down the chance to save their lives by confessing their guilt. Three days earlier 80-year-old Giles Cory had been crushed to death, with stones piled on his chest, for refusing even to plead before the special court set up to try these innocent people. Up to this point, 20 men and women, mostly humble people, had been executed at Salem.

This started an epidemic of denunciations and arrests in nearby towns, during which more than 100 suspects languished in makeshift jails. The Devil was abroad among God's people in New England, many of whom came to believe that he might deceive judges as well as witches.

Tourists who watch reconstructions of Cory's death (complete with recorded groans) at the Salem Witch Museum may see those events as belonging to a remote and primitive culture. Yet now thousands of people openly choose to be witches, attending covens and practising rituals. Thousands of books for children are about witches, either benign or terrifying. Horror movies bare their fangs at every other cinema and fill the video shops, while books and magazines on the occult proliferate.

Although this explosion of interest in Satanism is mostly *ersatz*, recent historical research is transforming our understanding of witchcraft in the Western past and often suggests more disturbing parallels with modern events.

It now seems that the most famous reincarnation of the witches of 1692, in Arthur Miller's powerful play, *The Crucible*, may be a misleading view of the true cause and significance of the witch hunt. For Miller, the victims of Salem stand for the individual conscience against theocracy and "the repressions of order", with explicit reference to the odious Senator McCarthy and his anti-communist crusade in the 1950s. Now, 40 years later, even more sinister parallels spring to mind.

Witchcraft is back among us with a vengeance when families are torn apart on charges of Satanic rituals supposedly attested by their own children. In the UK, a series of ritual abuse cases were supposedly discovered by social service investigators in the Orkney Islands and then in Rochdale, northern England. These followed an epidemic of sexual abuse cases in Cleveland in 1987. In spite of obvious differences, these cases showed a strangely similar pattern to that in Salem three centuries before: intense questioning of children to produce the denunciation of adults; the inner certainty of interrogators that evil practices were widespread; passionate denials of guilt; and failures to obey the ordinary rules of evidence.

Miller focused on the principled defiance of theocracy by John Procter, a man who, having fallen from grace through adultery with his maidservant, finally tore up the confession that would have saved him, thus gaining a moral victory over his persecutors. However, the true story of the hidden evil in Salem Village is more subtle and has only been apparent since the publication of a brilliant book by two young American historians, Paul Boyer and Stephen Nissenbaum, called *Salem Possessed*, which finally fitted the jigsaw together.

As Miller partly understood, the central issues were to do with the nature of the community and the power struggle between individuals within it. Salem Village (now Danvers) was the agricultural hinterland of the thriving port of Salem, a dependent region lacking proper institutions and struggling even to create its own church. The community was split between those linked to the cosmopolitan, commercial world of the town and the poorer, less sophisticated farmers further inland. There were two rival families from the initial settlement: the Porters, who had grown rich from the town, and the Putnams, whose land was being subdivided among too many children.

The epicentre of the witch hunt lay in the house of Thomas Putnam, eldest son in the third generation. His wife and daughter were prominent among the group of "possessed" women. It was this group which gave the crucial evidence of witchcraft, partly to protect themselves against suspicions of satanic practices. They cried out in court that they had been tormented by the accused and described visions which were held to prove that the accused had made pacts with Devil to take possession of their souls. Putnam and his family were the main supporters of Samuel Parris, minister of Salem Village, another man on the economic downslope. Parris's insecurities did much to fan the blaze of the witch hunt.

Thomas Putnam was a man with many grievances, much given to unsuccessful lawsuits. One alleged he had been cheated over his wife's inheritance, another – the vital one – was against his stepmother and his half-brother, Joseph. His father had left his best land to this favoured child of his old age, who had just married into the rival Porter family, and ostentatiously sided with them in local politics.

Although they were never directly accused, these treacherous relatives and the Porters were the real target for the family's anger. Almost every accused person in the Salem trials can be connected with them in some way, just as all the accusers were Putnams and their allies. It is highly unlikely that there was a deliberate conspiracy. Since the weak were attacking the strong, they could only do so in surrogate form – by imagining a diabolical conspiracy.

Resistance began to mount when charges extended to people of real substance. By the autumn of 1692, the leading Puritan ministers in the colony and the Governor intervened to halt the trials; those in prison were freed.

Over the next 20 years various acts of public penance would try to atone for what the Boston minister Cotton Mather, who was consulted about procedures for the trials, called: "Those errors whereby great hardships were brought upon innocent persons, and (we fear) guilt incurred which we have all cause to bewail with much confusion of face before the Lord." Puritans knew how to repent with a sincerity and force rarely shown by modern persecutors.

The persecution proved a disaster for its makers. Parris lost his position as minister and any hopes of personal recovery. Within a generation the surviving Putnams (other than the prosperous Joseph) had sold their dwindling property and left.

Witchcraft prosecutions had rarely been much favoured by the churches, and played little part in maintaining their authority, in either the old world or the new. So the analogy conjured by the modern term "witch hunt" – with the show trials of Stalin or McCarthy is weak. Similarly, the traditional witchcraft the colonists had brought from England bore little relation to modern imitations. This "old witchcraft" still exists in parts of rural Europe, where a belief that one is bewitched has been known to cause death. As recently as 1976 two brothers in Orne in France shot dead the male "witch" they blamed for their misfortunes.

Then, as now, the basis of witchcraft had little to do with formal religion. It is in a general sense pagan, with an immensely long history. By comparison, the persecution of witchcraft was brief: after a scattering of early trials in the 15th century, most executions in Europe took place between 1580 and 1650. In all between 50,000 and 100,000 people were put to death as witches.

Between a fifth and a quarter of these were men, while midwives, always said to be especially vulnerable, were in fact rarely prosecuted. Educated witch-hunters played only a marginal role; they were probably no more representative of elite opinion than the zealous pursuers of ritual Satanism are today. Most witches went on trial because their neighbours, who hated and feared them, blamed them for specific misfortunes – usually the deaths of spouses, children or animals – following a quarrel. Behind it all lay not the clergy but their rivals, the local wizards and wise-women who functioned as witch-doctors and were skilled in making clients articulate their suspicions.

Population growth, economic change and harvest failures made the decades around the turn of the 16th and 17th centuries some of the harshest ever experienced by the ordinary people of Europe. It was natural that accusations should multiply, and this would not have mattered so much if the reaction had been confined to counter-magic and the occasional lynching.

Unfortunately, the pressure from below coincided with a temporary decline in elite scepticism. The reasons for this are complex, but it should be stressed that it was very relative. Critics of witchcraft prosecutions were numerous and soon became more vocal, as happened in Massachusetts. Accusations of diabolical possession was seen as particularly dangerous, for fraud was readily suspected and quite often detected. Another famous case was that of the Devils of Loudun in 1634, where a group of "possessed" nuns accused a local priest who was burned at the stake.

A sober look at witchcraft in history strips away almost all the pseudo-historical clothing in which the modern witch cults have tried to deck themselves. Some of their rituals and gods do have origins in pagan culture, but the witches' "sabbat", (a nocturnal Satanic meeting) existed only in the imaginary world of folklore.

It is striking that many of the most lurid accounts in *witchcraft trials came from* children and adolescents. This should be a reminder of the danger of accepting their testimony in modern allegations of satanic practices. One does not care to think too long on the nine-year-old girl from Lorraine who told stories about going to the "sabbat" in a cart with her whole family, as a result of which her father, grandparents, uncle and aunt *were all burned in 1602. In* later years she might have whispered to her confessor something akin to the moving words of Ann Putnam Jr. when she was admitted to church membership in 1706: "I desire to lie in the dust and be humbled for it, in that I was a cause with others of so sad a calamity to them and their families."

It is a poignant reminder that the real evil lies within ourselves, as much in the age of child abuse as in that of "demonic" possession.

CONTENTS

SIX DAYS THAT SHOOK THE POUND

Sunday September 13

Italian authorities announce that the Lira is to be devalued by 7 per cent against the D-mark. The Bundesbank says it will cut interest rates the following day. Norman Lamont welcomes both measures and confirms he will take "whatever action was necessary" to defend sterling's central rate at DM2.95.

Monday September 14

London stocks soar – the FT-SE 100 opens up 99.5 at 2,470.4. Pound rallies from DM2.79. Bundesbank announces new interest rates – cut of 0.25 per cent in Lombard rate to 9.25 per cent, and of 0.5 per cent in discount rate to 8.25 per cent.

Shares drop. FT-SE closes at 2,422.1 (up 51.2 for the day). Sterling closes 2 pfennigs higher at DM2.8125, safely above the ERM floor of DM2.778. It stands at $1.8945, compared with $1.958 three days earlier.

Tuesday September 15

Pressure on the pound resumes, following reports of comments by Helmut Schlesinger, Bundesbank president, that "there was room for no more" interest rate cuts, and that a more general realignment of ERM currencies (including a devaluation of sterling) would have been preferable.

The Bank of England buys pounds in an attempt to support the currency, but by the close sterling stands at DM2.78 in New York – its lowest since joining the ERM and one-fifth of a pfennig above the minimum permitted level. FT-SE closes off 52.1 at 2,370.0.

Wednesday September 16

"Black Wednesday". Pressure on sterling continues. The FT-SE 100 drops 28 points at the opening. Bank of England buys £1bn, at 9am, with no significant effect, followed by intervention by the Bundesbank and Bank of France at 9.30.

Pressure on sterling continues. At 11am, UK base rates are raised by 2 percentage points from 10 per cent to 12 per cent. Within minutes, the FT-SE hits 2,291.3, down 78.7 for the day (its low for the week).

Sterling does not recover, even after Bank of England spends another £3bn. Pound falls below permitted level. It is announced that base rates will rise by another three percentage points to 15 per cent by the opening of trade on Thursday.

Pressure on sterling continues, but shares rally as dealers work on the assumption that a devaluation is imminent. FT-SE closes at 2,378.3, up 8.3 for the day, in spite of the increase in lending rates. The pound closes at DM2.75, well below its permitted level.

At 7.45pm, Lamont announces that it has been a "difficult" day. Sterling's membership of the ERM is to be suspended, while the second base rate rise is cancelled. The pound moves lower.

Thursday September 17

FT-SE opens 106 higher at 2,484.9 while pound continues to fall. However, shares fall back to register a gain of only 25.8, until the 10am announcement that base rates have returned to 10 per cent. The Cabinet accepts responsibility. Major and Lamont insist they have no intention of resigning. Meanwhile the French franc, Danish krone and Irish punt all fall to their ERM floors, amid further central bank intervention.

Stocks resume their surge, FT-SE 100 closes at 2,483.9 (up 105.6). Sterling stands at DM2.64 and $1.7795 by lunchtime in New York – 4 per cent below its previous floor, and an effective 10 per cent devaluation compared with its original ERM central rate.

Friday September 18

London stocks continue to rally. A modest opening rise is followed by buying in force once a radio interview with Lamont is interpreted as meaning that the pound will stay outside the ERM for some time to come.

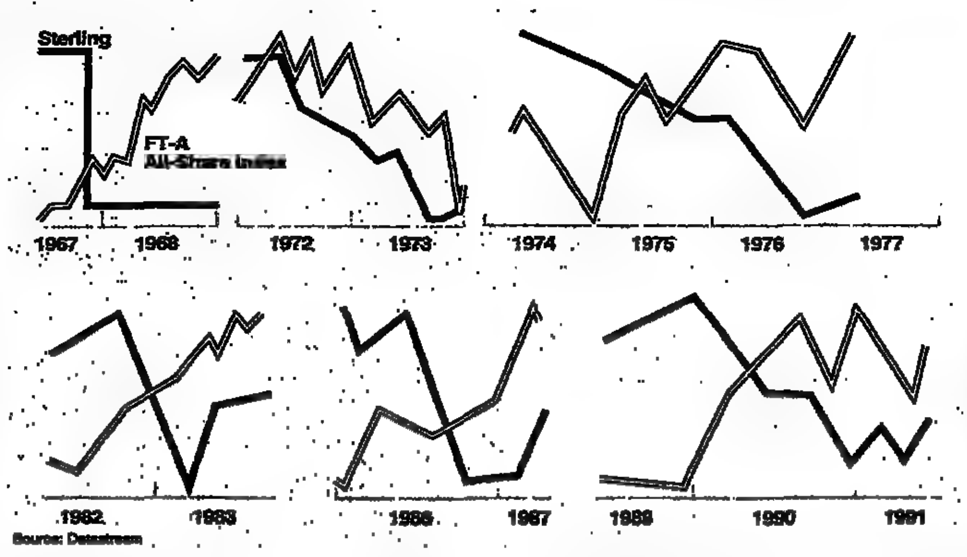
The market closes up 83.1 at 2567.1, with analysts agreeing that a cut in base rates to around 8 per cent has been discounted. Sterling falls slightly, amid the acrimony between Lamont and Chancellor Kohl, to stand at DM2.61 when the market closes in London.

London Markets

The week investors scented freedom

By Peter Martin, Financial Editor

As sterling declines ..... how the stock market reacts



Source: Datastream

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992 High	1992 Low	
FT-SE 100 Index	2567.0	+196.1	2737.8	2281.0	Hopes of lower interest rates
Arjo Wiggins Ap'ton	149½	-30½	290	123½	Cuts int div by 19%
Barclays	346	+32	410	274	Interest rate optimism
Body Shop Intl.	181	-85	371	138	Profits warning
British Aerospace	189	-22	379	177	Trading worries
British Steel	63¾	+12¼	86	46	US demand
Clarke Foods	16	-48	168	12	Cancelled div., trading worries
English China Clays	417	+54	603	330	Fall in Sterling
Enterprise Oil	401	+73	458	297	Currency boost for oil price
Glaxo	841	+73½	943	632	Big dollar earnings
Kingfisher	516½	+56½	582	414	Better-than-forecast profits
Kwik-Fit	96	-13	225	82	Disappointing results
Reed Intl.	541	+51	603	447	Merger with Elsevier
Rugby	199	+33	230	152	Interest rate optimism
Sun Alliance	273	+28	335½	214	Places stake in Commercial Union

NEW ERAS are the stock in trade of equity analysts and newspaper columnists. New dawns, crucial turning points, decisive breaks with history – they rest, shiny and inviting, on the well-stocked shelves of the Cliché Department.

To have one new era in a 12-month period might seem enough, two surely excessive. Yet that is what we have been offered since last autumn. First, a new era of low inflation, low equity returns, and German-style investing patterns. Now, a second new dawn is promised, looking suspiciously like the dawn-before-last: falling interest rates, rising equities, and – ultimately – inflation-eroded fixed income securities.

The plausibility of this outlook is discussed by John Plender and other FT writers elsewhere in today's *Financial Times*. Whatever its merits, it had become a stock market article of faith by the end of Friday afternoon. The FT-SE index closed at 2567.0, up 83.1 points on the day, and up 196.1 on the week. From Wednesday's low point of 2,291.3, at the moment when the government first put up interest rates, it had risen 12 per cent.

The completeness of the market's conversion to this view is borne out by the nature of the rally. You only have to run your eye down the list of sectors which did best on Thursday to get the measure of this particular new era: Contracting and construction up 12 per cent; Banks up 11 per cent; Metals and metal-forming up 10 per cent; Building materials up 9½ per cent. These are the battered cyclical stocks, the worst sufferers from the recession of the past 2½ years.

The shares that did worst out of the day's 100-point rise in the FT-SE index are also familiar: electricity and water utilities, the defensive stalwarts of the recent past. The electricity sector fell by ½ per cent on Thursday, the water sector by 2 per cent.

All self-respecting new eras must be born from the wreckage of the old. Traditionally, this process used to take several decades, giving plenty of time for *fin-de-siècle* musings and lavish quotations from that Yeats poem about things falling apart, centres not holding, rough beasts slouching towards Bethlehem, and so on. The pace of modern life, however, has reduced the shelf-life of the new era to a matter of months; and technologists are now working on bite-sized new eras which can be consumed between meals.

Although the collapse of the old era is now a swifter process, the scale of the wreckage has, if anything, increased. Consider the events of this week. On Sunday, the lira devalued. On Monday, there was a small cut in German interest rates. The pound edged up, the stock market rose 51 points. On Tuesday, both reversed course, with shares down 52 points. On Wednesday, with the pound on the edge of the abyss, interest rates went up first to 12 per cent, then to 15 per cent. Each time interest rates went up, the stock market dropped. But sterling was still falling, kept within its ERM band only by unprecedented central bank intervention. As that thought sank in, a vast electronic gale of laughter convulsed the stock market.

You could see it sweep across the Topic screens: share after share turned blue, indicating that the price was rising. The old era had reached its accelerated moment of crisis: no-one now believed that the policy of pushing interest rates ever higher to defend the pound was sustainable. The damage that 12, then 15 per cent interest rates had done to equities was swiftly undone, and the market closed serenely up 8.3 points on the day. Given the scale of the drama, it was a remarkably unremarkable figure.

The next two days' share trading saw the acceptance of the new dawn, by the government as it dropped out of the ERM and by investors generally. Shares moved upwards in heavy volume, suggesting that some serious buying was taking place.

By the end of the week, with shorter-term interest rates indicating that the market was expecting something like a half-point cut in base rates in the not-too-distant future, the new era was in full swing.

City economists were calculating the impact of a low-interest-rate, cheap-currency policy; equity analysts were coming up with lists of shares that stood to do well out of an escape from the strait-jacket into which the government had clamped the economy for the past two years. From Bank to Edinburgh New Town, people were digging out graphs such asthe ones that illustrate this piece, which show that almost all recent devaluations have been followed by rising equity markets.

Once new-era fever strikes, history is bunk, historical statistics little better. Thus, the figures reported this week, depressing though they were, had little impact on the market's thinking. They illustrate the cage from which investors now hope to break free: rising unemployment – up in August to a five-year record of 2.8m, with a 47,000 rise on the month – together with flat order books and a stagnant money supply.

Two striking corporate events of the week were, arguably, relics of the old era. One of them dated from the era-before-last: a profits warning from Body Shop, the last of the high-performing niche retailers that had provided so much excitement in the pre-recession era. Anita and Gordon Roddick, who run the company, announced that pre-tax interim profits would fall from £9m to "not less than £8m". The suggestion that the company's spectacular growth might be slackening sent its shares down 41 per cent on the day, and they closed the week at 181p, down 85p.

The other event was an echo of all that single-market euphoria of the past couple of years. (Indeed, in some respects it was a reversion to a pre-war concept: the Anglo-Dutch cross border merger.) Reed International, once a newspaper and newsprint group but now a magazine and business publisher, announced that it was merging with Elsevier, which publishes scientific journals and Dutch newspapers. The market had no doubt whose shareholders were getting the better of the deal. Reed shares rose sharply, ending the week at 541p, up 55p from the moment of the announcement, Elsevier's closed at Fl 102, down 12 per cent.

Corporate news could scarcely grab the attention, however, when there were grand strategies to be drawn. After all, this week's new era might itself be outdated by the time the markets opened on Monday, depending on the outcome of the French referendum. For City analysts and newspaper columnists, there is much more scope for astonishing insights.

As usual, however, W.B. Yeats had the last word. In that very same poem that everyone quotes, obviously reflecting on a bruising experience with the Dublin traded options market, he gave his considered verdict on the trade of financial analyst. "The best lack all conviction," he mourned, "while the worst// Are full of passionate intensity."

And now they're on television, too . . .

What the Financial Advisers Say

Patience is the virtue

Philip Coggan and John Authers poll the pundits

AMID THE passionate arguments about the broader economy, personal financial advisers are reassuringly unanimous in the advice they are offering to savers. Virtually all of them warn that investors should be patient before reacting to this week's turbulent events in the financial markets.

"If the UK and the EC can't buck the market, I fail to see how the private investor can do so without an extraordinary slice of luck" says David Harris, of Chantrey Vellacott. "Therefore, if you haven't taken any precipitate action, you shouldn't."

John Cole, of Berry, Birch & Noble, agrees. "We are advising clients in such difficult markets to sit it out for a day or two. Missing the bottom is less dangerous than going in and seeing your capital base reduced." A similar line comes from Peter Smith, of Hill Martin, who says: "The crisis has shown the difference between strategy and tactics. If you have the right strategy, you shouldn't be too bothered by one day's turmoil."

Still more caution comes from Peter Hargreaves, of Hargreaves Lansdown, who says that those with funds to invest should make fixed interest their first port of call. By this he means National Savings, gilts, and guaranteed income bonds. He is not totally negative about equities but he feels private investors should not try to make a killing because the timing is so difficult. He adds: "I always think the people who are pleased with equities are those who buy them slowly."

Cole takes a similar line. "We are looking out for fixed-interest opportunities; the international bond market has some attractions. We see the longer-term appeal of equities, but we are attracted to the phased investment approach."

Robert Noble-Warren, of Murray Noble, also is recommending fixed-interest products. But Noble-Warren is worried that equities will continue to go through a rough patch while economic instability continues, and so is removing some clients from zero-dividend preference shares of investment trusts.

These normally are regarded as very safe, but he now feels that the level of cover for their final redemption value might not be adequate in many cases. Instead, Murray Noble is buying those zeros which benefit from the strongest cover, plus guaranteed income bonds, gilts and National Savings.

One adviser expects a very rapid decline in rates. Richard Boyton, of Boyton Financial Services, says: "I would expect to see interest rates declining to between 6 and 7 per cent within a very short term. Debt distress will remain high and credit relatively expensive when inflation is taken into account. As a result, credit demand will remain scarce, probably forcing interest rates lower in the long term.

"It is doubtful whether house prices will rise, as consumers will remain unwilling to saddle themselves with large house debts. The market still has considerable overhang from repossessions." Boyton concludes: "I believe we are entering a new era of risk-averse investment. This will favour bonds and gilts."

One real gilt enthusiast is Stephen Hallett, of Pentre-Vere, who says: "Gilts are as attractive now as a week ago, if not more so. The enormous deflationary pressure in the UK economy will take a long time to unwind and, if policy had been unchanged, it would have increased. Given the state of the economy, the little inflation that might be imported will only slow down the further build-up of deflation, let alone reverse it."

What about areas apart from investment? Smith points out that there are still very high real interest rates on borrowings and consumers should reduce any excess accordingly. Given the still-troubled UK economy, Smith adds: "People are less secure in their jobs and should make sure that their pensions are properly funded."

On mortgages, Cole thinks that a fixed-rate loan "does have a place around the 10 per cent level, especially those who are taking out a big loan. But he cautions: "I would personally expect interest rates to fall."

Graeme Barnes, of Wilfred T. Fry, the Sussex-based firm which specialises in advising expatriates, says this week's developments have been good news for those with earnings in other currencies, or with sensibly diversified portfolios. For others who have kept their funds in sterling deposits, he recommends protection against falling interest rates by going into fixed-rate investments.

So the experts' view seems clear – just as at the end of last week, a portfolio with a large share of gilts and fixed interest, plus regular savings into equities, is favoured overwhelmingly.

Serious Money

Balance is the key

By Philip Coggan, Personal Finance Editor

WHAT ON earth is going on? That must be the understandable reaction of savers in a week when the pound has plummeted, share prices have soared, and interest rates have done both.

Early in the week, newspaper headlines proclaimed that mortgage rates were about to fall; on Thursday morning, the press pronounced that rates were sure to rise. In fact, they have yet to move one jot.

Faced with this turmoil, the temptation must be for the investor to see the markets as an incomprehensible casino, and to retreat into the apparent safety of the building society.

For those who depend on their savings for income, that might prove a dangerous strategy.

So much has happened that no-one can be confident about what the government will do next. There is the remote chance that the government, like a punchdrunk boxer, will climb back into the ERM ring for another battering from the markets.

Political pressures, however, would suggest that the government will make the best of the crisis. Norman Lamont seemed to hint as much yesterday when he essentially said that Britain would only rejoin the ERM when the Germans got their act together.

The recession was prolonged because interest rates were kept high to defend the pound; now that the currency battle has been lost, why not cut rates and revive the economy?

The cynic might suspect that base rates will be cut as a morale-booster before the Tory conference. Such a policy change will probably be highly popular.

For most people, the benefits of ERM membership were somewhat theoretical; 15 per cent interest rates would not have been a "price worth paying" for small businessmen or homeowners.

With inflation at 3.6 per cent, a base rate cut to 8 per cent would still leave real rates at historically high levels; and it is always possible that rates could fall to 6 or 7 per cent. That would be very good news for anyone with a variable rate mortgage.

Savers should recognise that we could be seeing a return to traditional British values; a falling pound, higher inflation and isolation from Europe.

Traditional investment strategies are, thus, likely to be successful once more. The prospect of the low-growth, low-inflation decade has been postponed. The cult of the equity might not be over.

Shares have traditionally been the best performing financial asset over the longer term; far better than gilts or building society deposits.

The rally in equities on Thursday and Friday highlights the hopes that the conditions of 1982-3 might be repeated; a falling pound helping British companies to escape from recession and improve profits.

However, the surge in the market also means that the investor might be better placed investing in shares via a savings scheme than jumping into the market on Monday.

If the pound continues to fall, then investors should also benefit from overseas investments; from buying the bonds of those countries which continue to track the anti-inflationary D-mark or, if you believe in the resurging dollar, US Treasuries.

The more adventurous might look at overseas equities. This week GT, the fund management group, held an emerging markets conference which highlighted the attractions of shares in areas such as Asia and Latin America; and Fund Research launched a new guide to the funds which specialise in those areas.

The recession may limit inflation in the short term. But its probable long term resurgence highlights the need for investors to hold assets such as index-linked gilts and National Savings, which currently offer very attractive real yields.

What about conventional gilts? Prices could rise in the short term. Yields, at 9 per cent, are well above inflation; and short-dated prices should rise as interest rates fall.

But, in the long term, higher inflation would be bad news for gilts; and devaluation will make foreign investors wary of buying our bonds. Furthermore, the government still has plenty of gilts to issue, because of the growing budget deficit.

The greatest problems will be faced by those who have been relying on high building society rates for their income. They face the dual squeeze of falling interest rates and a rising inflation rate.

Of course, devaluation is not really an easy option. It is the same policy that Britain has followed consistently since the second world war, and it has led to the ruin of many generations of savers.

This week's events have re-emphasised that savers cannot survive on deposits alone; they need a balanced portfolio, including equities and index-linked, to protect them from inflation.

Wall Street

Foreign furore downgrades domestic data

WHILE Europe has lurched from currency crisis to crisis this week, Wall Street has watched with baffled, and slightly superior, fascination. It has not, of course, been entirely immune to the ructions overseas. New York's currency trading desks have been frantic – especially in the afternoon sessions. "It's absolutely crazy," yelled one Merrill Lynch trader on Wednesday afternoon.

But, for the most part, Wall Street's interest in the currency mayhem can be summed up in two questions. First, does this mean lower interest rates in key European countries which, in turn, might speed another domestic easing by the Federal Reserve? And will the chaos affect economic growth rates in Europe – which, again, might have a knock-on effect for US manufacturers ?

At the beginning of the week, the answers looked simple. The cut in German interest rates was read as unequivocably positive for the US economy. Wall Street traders were already betting on another lowering of domestic interest rates by the Fed, after the latest data on producer prices gave no hint of an inflationary problem. Lower German rates would merely make the Fed's task a little easier.

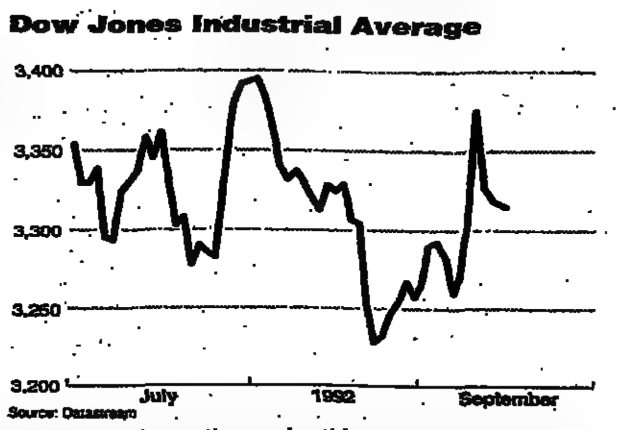
And, reasoned investors, the German interest rate cut might also stimulate European economies, helping the fortunes of US companies with large overseas markets. Share prices duly soared on fairly heavy buying by both institutional customers and private investors. The Dow Jones Industrial Average ended the day more than 70 points higher.

Such euphoria did not last long. By Tuesday, Wall Street had realised that the modest German cuts were unlikely to spur a more widespread reduction in European interest rates, at least in the short term. Disappointed, the Dow gave up almost 50 points.

Then, on Wednesday, traders grappled to make sense of the British moves to defend sterling, and currency's subsequent suspension from the exchange rate mechanism. In the confusion, the Dow itself eased only modestly, but many of the American depositary shares of European companies encountered sharper markdowns.

There matters rested for the rest of the week. Faced with all the uncertainties in Europe ahead of the French Maastricht vote, and a "triple witching" on Friday – when options and futures on stock indices expire on the same day – investors were disinclined to do anything.

Dow Jones Industrial Average



Source: Datastream

Given the week's overseas focus, domestic data largely was overlooked. Not that the latest round of economic statistics revealed much that was new. The poor performance of the retail sector during August had already been evident in returns from the major department store chains, and the official 0.5 per cent fall in retail sales last month was merely confirmation.

The store chains had been quick to blame the relatively late Labor Day weekend – which, they claimed, delayed some of the back-to-school spending. Still, the overall slip in sales last month is the biggest drop since March. At the very least, it smacks of minimal consumer confidence.

Similarly, news of an 0.3 per cent increase in consumer prices in August brought no gasps of alarm. Higher food prices, notably for fruit and vegetables, accounted for part of the rise while the smaller 0.2 per cent increase in the "core" rate (which excludes food and energy) was unchanged from the previous three months.

Finally, on Thursday, the industrial output figures showed a decline of 0.5 per cent in August. That resulted, in part, from the disruption caused by Hurricane Andrew and the labour dispute at one General Motors facility which caused other plants operated by the car manufacturer to shut-down. But the obvious lack of economic momentum was reinforced by a separate Commerce Department report which showed that businesses increased stocks by just 0.1 per cent last month. Normally, a significant rebuilding of stocks, is one of the early signs of economic recovery.

Even individual stocks had difficulty in grabbing much of the limelight. Federal Express, the biggest overnight package delivery firm, garnered some attention on Wednesday after revealing a sharp drop in first-quarter profits caused by weak domestic demand and fierce discounting tactics. Its shares slumped $2⅞ to $36⅞ and, by Friday, had slipped to $36⅛.

Procter & Gamble, the large consumer goods producer, fared better when it announced that it was pulling out of the 100 per cent fruit juice market by discontinuing or selling brands. P&G shares gained ⅞ to $48⅞. But, for once, Wall Street was almost a backwater.

Nikki Tait

Monday	3376.22	+ 70.52
Tuesday	3327.32	− 48.90
Wednesday	3319.21	− 8.11
Thursday	3315.70	− 3.51

FINANCE AND THE FAMILY – CURRENCIES IN CRISIS

Mortgages

A big sigh of relief

IN THE wake of Wednesday's events, the reaction of those in the housing market has been to heave a sigh of relief – first, because we have been spared the catastrophe of mortgage interest rates at 13 or even 15 per cent and, second, because interest rates may now fall.

Not everyone is euphoric. Fixed-rate mortgages at 10.4 per cent no longer have the glitter that they had on Wednesday. Those who dashed into Abbey National branches then to convert their mortgages into fixed rates of 10.35 per cent for seven years must now rue their decision.

Peter White, chief executive of Alliance & Leicester, the UK's fourth-largest building society, summed up the feelings of many lenders when he said that "if the outcome of Wednesday is indeed lower rates, it has all been quite good news for the housing market."

A few lenders have already begun to offer mortgages with interest rates fixed below 10 per cent, and there will be a lot more of these in coming weeks.

National Counties building society, for example, is offering a mortgage fixed at 9.75 per cent till September next year and then at 9.95 per cent for a further year. But I wonder if they will find many takers.

Many economists believe base rates could fall to 8 per cent by Christmas, which would mean a mortgage rate of around 9 per cent. If building societies continue their attempts to stimulate the market, rates for first time buyers would be even lower.

It is, however, too early to judge how far interest rates may fall, and the housing market is in such a mess that, whatever happens, it will take a good while to recover.

Building society chiefs have been saying privately that September 1992 is the worst month they can remember in the property market. Even re-mortgage activity has virtually stopped. Meanwhile, house prices have continued to fall and 305,000 borrowers are more than six months behind with their mortgage payments.

A sharp cut in interest rates, if it happens, might restore some consumer confidence and draw buyers back into the market, but the supply of houses for sale is likely to outstrip the number of buyers for months.

Also, a partial recovery in the housing market may not be good news for homeowners with serious mortgage arrears. One reason why lenders have shown so much forbearance this year to those in trouble with their payments is that there was no point in putting even more houses on the market under present conditions. When the market improves, we shall see if lenders remain as sympathetic to their struggling mortgage customers.

A further snag is that there will be very few 100 or 95 per cent loans around for first time buyers. The collapse of the mortgage indemnity guarantee market means that most would-be home-buyers will have to find a chunk of cash if they want to enter the housing market.

For the short term, the prospect of a fall in rates might deter many would-be buyers from entering the market. "People should stay calm and not take any decisions hastily. We do not yet know how things are going to settle down and it is too early to be very optimistic. The housing market's problems are so big that they are going to be with us for some time yet whatever happens," says John Wriglesworth, a housing finance specialist at UBS Phillips & Drew.

David Barchard

When the roof fell in ... City currency traders had a Wednesday to remember

Fixed Interest

Gilts may glister

INVESTORS could be allowed a hollow laugh at the phrase "fixed interest" after the events of the past week. But the attractions of an unchanging interest rate are understandable.

The basis of most fixed interest products in the UK is the conventional UK government bond (gilt). These can be invested in directly, via forms at your Post Office, or through a gilts unit trust, which will charge more but brings the benefits of professional fund management.

Gilts pay a fixed rate based on their original price of 100p, but the return to investors depends on the trading price. A gilt originally yielding 5 per cent will yield 10 per cent for someone who buys it for 50p.

Gilt prices were affected by two issues this week: the prospects of base rate cuts, and of higher inflation. The former boosted the prices of short dated gilts, while the latter depressed long dated prices.

Simon Briscoe, of Midland Montagu, says: "Looking at a horizon of two or three years, I think the 9 per cent yields on offer at the moment will look very attractive."

Actuaries managing guaranteed income bonds have in many cases withdrawn from offering any rate, and are awaiting the result of the French referendum.

According to Baronworth Investment Services, the best rates available have slipped slightly, but 8.53 per cent is still available over one year (from Prosperity Life), while Laurentian Life is offering 8.95 per cent over five years. These figures are net only of basic rate tax – top-rate taxpayers must pay more.

Some building societies also offer fixed rates – for example, the Coventry is offering 10.6 per cent gross fixed until January 31 1994 for investments of more than £20,000.

John Authers

Savings Rates

IN THEORY, investors in variable-rate deposit accounts linked to the UK money market stand to come out of the crisis worst.

Sterling is weaker, and the market is already assuming that a base rate cut is to come. If base rates fall, interest rates for savers are bound to drop.

Savers cannot expect any preferential treatment either – the housing market is in such difficulties, with arrears and repossessions mounting, that the priority of banks and building societies will be to help borrowers first.

However, Anna Bowes, of Chase De Vere's Money Line, said no cuts to savings rates had been made by the end of the week as the institutions waited for the French vote.

For a minimum deposit of £250 it is still possible to earn 10 per cent gross from Scarborough building society's instant access account – not far short of three times the rate of inflation.

A gross rate as high as 11.75 per cent is available to those who put £10,000 or more into a Chelsea building society 30-day account.

Tessa rates have tended to be higher than those on normal accounts, with some still over 12 per cent.

John Authers

Winners and Losers

Buyers take care

DESPITE the stock market's euphoric reaction to sterling's devaluation, and the assumption that interest rate cuts will follow, buyers were selective in the shares they picked. There will be an immediate boost to the profits of companies with overseas operations, because of the effect of translating their foreign currency profits at a lower sterling rate. Groups such as Lasmo, Unilever, Tomkins, Inchcape and Siebe make high proportions of their profits abroad.

A lower rate for the pound also helps exporters, although this effect is mitigated by the recessions in many countries which normally buy from the UK. Big exporters include Guinness, British Aerospace and De la Rue.

Sterling's fall also makes imports more expensive, so companies which are competing with imports – for example, textiles produced in cheap labour areas – will have some of the pressure removed. Coats Viyella shares jumped because of its high foreign exposure and improved competitiveness at home.

Losers were companies without overseas exposure, like stores and food retailers, water and electricity companies, life insurance and banks. Some were losers on other grounds.

Throughout the recession, investors have concentrated their portfolios on defensive shares: those which would fare better in hard economic times. These include food retailers, utilities like water and electricity, and drug companies. Now, the situation is reversed. The market is looking for a resumption of economic growth and is pushing up the shares of cyclical stocks which would do best from recovery.

Thus, companies in the building sector saw their shares rise while the expectation of lower interest rates also boosted store groups such as MFI Furniture and Dixons which sell household goods

Maggie Urry

Index Linked

Inflation-beaters

IT SEEMED that Britain faced a decade of low inflation. But sterling's effective devaluation means that inflation might return, as the lower pound forces up import prices. How can savers protect themselves?

The two obvious investments are index-linked National Savings certificates, and gilts. The former offer a tax-free rate of 4.5 per cent, plus inflation, if held for five years. So, if you assume that inflation will average 5 per cent between now and 1997, the certificates will return a tax-free 9.5 per cent. But if you surrender them within five years, you will not get such a good return.

Index-linked gilts are rather more complicated but can offer protection over a longer term – one issue does not mature until 2030. The repayment value is based on the change in the retail price index (RPI) between the time of issue and the date of maturity. (For technical reasons, a date eight months before issue and maturity is used for indexation purposes). Thus, if the RPI rises from 100 to 200 over the life of the gilt, it will be repaid at double its issue price.

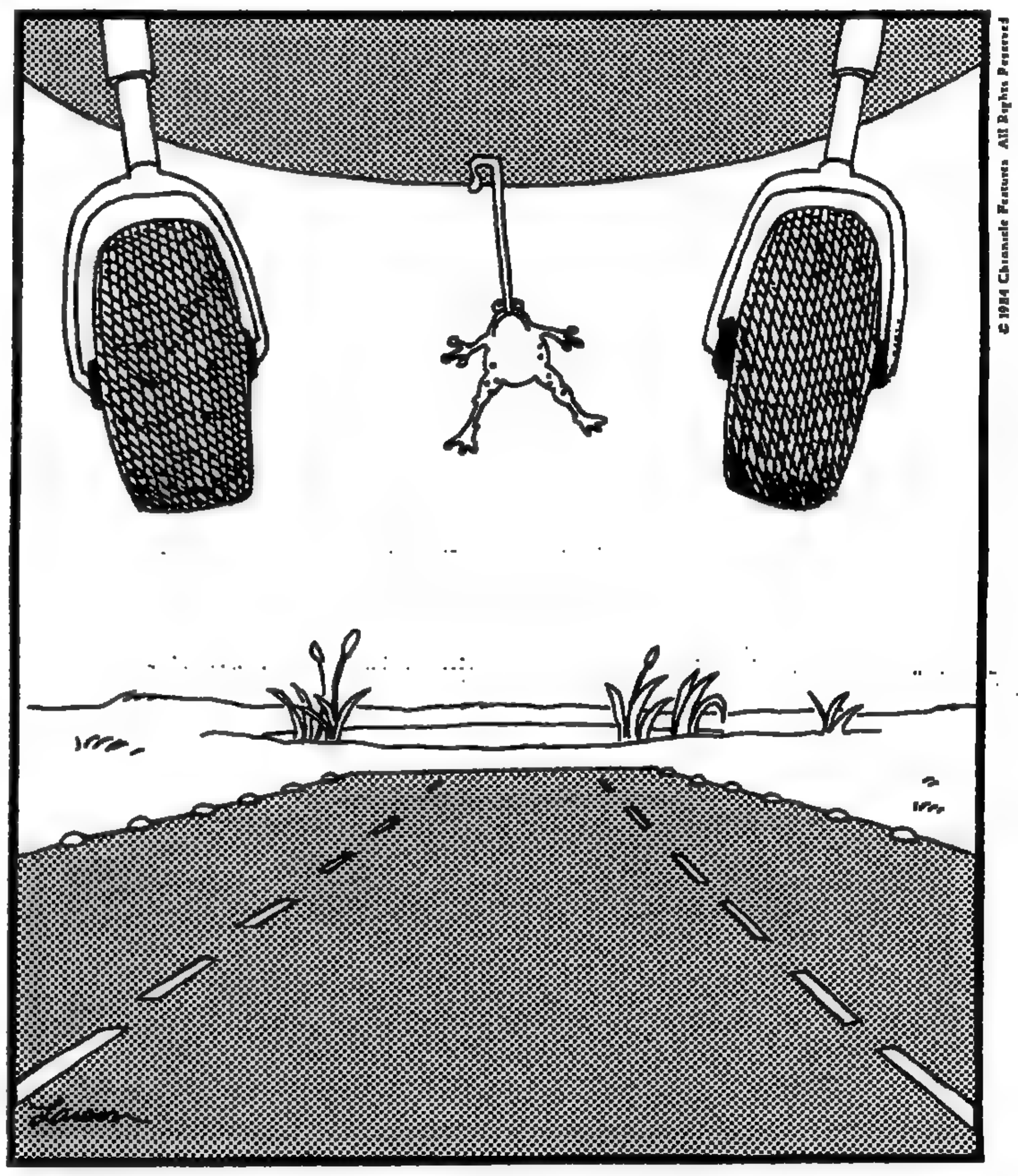
In addition, a small income is paid very year – normally 2 or 2.5 per cent – which also increases in line with the RPI.

Because of these complications, the small investor cannot know for sure what the actual return to maturity on an indexed gilt will be. You can only work out the real (after inflation) return; on long-dated issues, that is now more than 4 per cent.

With conventional gilt yields at more than 9 per cent and inflation at 3.6 per cent, it might seem that a fixed-rate gilt offers a better real return. But the bulk of the return from an indexed gilt comes from capital gain, which is tax-free.

Buying most conventional gilts means receiving the bulk of the return in taxable income. Higher rate taxpayers might, therefore, find index-linked particularly attractive.

Philip Coggan



FINANCE AND THE FAMILY – CURRENCIES IN CRISIS

What they say – and what they mean

Shedding a light on murky times

*Economist **Giles Keating** gives an infallible guide to the future . . .*

PRIVATE investors, not to mention professional ones, may well be confused by the events of the last few days. This guide to the events of the next few weeks will help to shine a light through the murk.

Ireland, Portugal, Denmark and France issue vehement denials of any intention to devalue:
Get a large bank loan in punts, escudos, krone or French francs and invest it all in D-marks.

The French narrowly vote No in tomorrow's referendum:
Other people may be selling, give them a little time to drive down prices, then move in and buy (some) UK stocks, buy gilts, buy European equities. A No vote would destabilise what is left of the ERM and force the French franc out of its band. John Major could pretend that the whole thing was a D-mark revaluation, not a sterling devaluation, and pop the pound back into the ERM. Even Schlesinger would be happy enough to cut interest rates.

Result: UK interest rates fall, though not very far, and the political crisis is defused. The losers are companies heavily dependent on UK domestic demand, because interest rates on this scenario would come down less than in a free float.

The French vote Yes:
France might get away without devaluing – Major and Lamont will have lost their chance of slipping sterling quickly back into the ERM behind the fig-leaf of a general realignment. The pound will go its own way for months, if not years. The UK can set interest rates mainly to meet domestic needs. So buy equities, but do not get too enthusiastic. The government is still keen to tackle inflation, so the interest rate cuts will not be very generous unless the economy turns down further.

One of the UK's largest and oldest car plants shuts down with massive job losses:
Buy shares in Toyota, Honda and Nissan. Old factories with 1960s-style working practices would be uncompetitive even if the rate was DM2 to the pound. The Japanese plants in Britain would be profitable with sterling at DM3.50.

Sterling rejoins the ERM, but the Germans do not cut interest rates:
The chancellor has already said this is unlikely, and he is right. Even at a parity below DM2.95, why should ERM membership be any more sustainable than before? Sterling did not leave the ERM on Wednesday (sorry, get "suspended") because it was in at the wrong level. It left because of whispering by the Bundesbank about realignments, and because the increase in UK rates was not matched by a cut in German rates. The same can happen again, unless German rates fall sharply, or unless (not very likely) the ERM rules are changed to force the Bundesbank to support sterling properly at times of crisis.

'Even if rates are cut by 1 or 2 per cent house prices will still go down'

The Chancellor announces a big support package for the housing market:
Sell your house. You will have to slash the price. Then move into rented accommodation. There has just been a private meeting at No 11 Downing Street at which the chairmen of the biggest building societies told the Chancellor how bad things really are.

Even if base rates are cut by 1 or 2 per cent, house prices will still go down, because consumer confidence is so low and debt burdens so high. Remember the last attempt to stimulate the housing market, by suspending stamp duty in late 1991 and the first half of this year?

The government gives in to Tory backbencher demands for much, much lower interest rates:
Yet another U-turn, so this is quite likely. Buy equities, but do not hold them too long; but above all buy into dollars, D-marks and yen, in fact anything you can lay your hands on that is not sterling. In spite of the UK's deep recession, a big enough fall in the pound will generate some inflation. So a few index-linked gilts might be a good idea, too.

You might even consider buying a house . . .

Unemployment rises and retail sales fall sharply in both the UK and the US:
In this case hold only big blue chip shares, and even then try to chuck out the ones with too much domestic business. There is not going to be a "normal cyclical upswing" – at best it will be weak in the UK, the US and Europe. The only areas of the world set for good growth in the next year or so are places like South China and Mexico. You do not have to buy directly into their stock markets; instead go for the big global corporations that have operations in those areas.

The French vote No by a wide margin and the whole ERM collapses:
The TV screens are filled by economists saying how good flexible exchange rates are, but investors should be very cautious. This is a signal from the big European nations of a complete inability to co-operate, which is very dangerous at a time of high debt, high unemployment, and creeping protectionism. If you want a scenario that points towards a new Great Depression, this is it.

■ *Giles Keating is director of economics at Credit Suisse First Boston.*

The Week Ahead

THE BIG results event of next week is on Wednesday when British Aerospace reports. It is the one chance for John Cahill, the distressed group's new chairman, to clear the decks and produce – as he has promised – a solution to the company's regional aircraft problem.

At the interim stage a year ago BAe unveiled a sharp fall to pre-tax profits of £86m (£146m) and a £432m rights issue. Whatever profits it eked out in the first half of this year will be swamped by restructuring costs which could approach £750m.

Next week will bring more results from the battered construction sector. The reported profit or loss at Tarmac on Tuesday and Costain on Wednesday will be less interesting than the news on the restructuring efforts essential to their recoveries.

Tarmac will probably report an interim loss of about £14m (pre-tax profit of £18.2m, itself a sharp decline from the previous year) and a dividend of 2p (3p). Provisions are likely on the value of its land bank and for restructuring costs. Investors are also anxious for news of a buyer for Econowaste, the UK waste management business.

Costain might make a minimal profit of around £1.5m (£5.7m) but it too needs to take some hefty provisions. Partial flotation of its Australian coal business has yet to be finalised but should generate a much-needed £45m or so. But the markets will want to hear of further restructuring plans.

Barratt Developments, the house builder, took its pain in 1991 with a loss of £106m. For the year to June it should report a profit of up to £7m and perhaps a modest dividend. It is back under the management of Sir Lawrie Barratt, its founder, but is suffering from the margin and volume reductions of the housing market. Given the prospect for lower interest rates, Sir Lawrie will probably be even more optimistic than usual.

Laura Ashley, the fabrics and frocks group is likely to report a small interim pre-tax profit of £1.5m (£528,000) on Wednesday as its energetic chief executive Jim Maxmin continues to press ahead with his corporate changes.

The Fund Managers' View

'Come back inflation, all is forgiven'

PROFESSIONAL fund managers who saw interest rates and stock prices gyrate wildly this week are still pausing for breath.

David Rough, investment director at the UK insurer Legal and General, urged caution before taking a view on stock or bond markets. "I'd be a lot happier if I knew exactly what the government's policies are," he said.

If the government has decided to allow a decline in real interest rates – the difference between inflation and bond yields – the overall picture could be good for equities. But, if the decoupling of sterling from the ERM is a temporary affair, and John Major is still aiming for zero-inflation growth, the picture could be very different.

"After the French vote (on whether to ratify the Maastricht Treaty) on Sunday, I think we will have a clearer idea," Rough said.

But with stock prices up 8 per cent in two days, fund managers are queueing to jump on the equities bandwagon. "The move to deflate sterling is very bullish for equities," said Hugh Sloane, investment director at GT Management. "Now that sterling has been floated there is a good chance that the UK can move out of recession."

Already, GT Management has decided to increase its weighting in UK equities from 50 per cent of its total portfolio to something comfortably above that, he said.

GT Management wants equities of companies with large overseas earnings which, with a weak sterling, will produce hefty increases in revenues. Shares of companies which are well-placed to benefit from a pick-up in the UK economy look attractive.

The banking sector is likely to benefit as lower interest rates ease pressure on hard-pressed borrowers who may be facing repayments difficulties.

Simon Walters, investment director of Save & Prosper, says that a watershed occurred on Wednesday when Britain withdrew from the ERM. "The restrictions of the ERM have vanished. Come back inflation, all is forgiven." The result is good news for equities, he argues, and cyclical, high-yielding stocks have already started to outperform.

However, the market has already risen to reflect one and probably two percentage points off base rates. If that fails to happen the market may be disappointed.

Nevertheless, Walters is looking forward to an export-led boom and he also believes there could be a psychological boost to the consumer sector if rates drop back into single figures.

Michael Hart, joint manager of Foreign & Colonial Investment Trust, says it has benefited this week from its big overseas currency exposure.

"If the French vote Yes, I wouldn't be surprised to see UK rates coming down another notch," Hart says.

"Given the sharp rally in UK shares, there's no need to race into the stock market at this level; we've been nibbling away at lower prices. But we've always been enthusiasts for equities and some institutions may be having second thoughts about their recent move into bonds."

Julian St Lawrence, a UK fund manager at Framlington, says that "We'd be more cautious than the markets about the speed of interests rate changes, and thus we could see a correction to the recent rise.

"Nevertheless, equities have offered a pretty low return over the last few years, and are down in real terms from their peaks of 1987. And we are particularly interested in small and medium-sized company shares, which have some catching up to do."

St Lawrence warns that devaluation will lead to higher prices. "We would be surprised if the previous rule of thumb did not apply this time – that a 10 per cent devaluation leads to 10 per cent in inflation spread over a three to four year period."

Norma Cohen and Philip Coggan

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
Blystad	5.4	4½	4½	7.50	Abbot Hldgs
Continuous Stat	40*	38	34	6.80	Prostaprint
Gibbs Mew	200*	188	163	11.00	Brierley Inv

*All cash offer. ††Cash alternative. ‡For capital not already held. ‡Unconditional. **Based on 2.30 pm prices 18/9/92. §§Shares & cash.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Barratt Developments	Wednesday	3.21	-	-
Bennett & Fountain	Wednesday	-	-	-
Bryant Group	Monday	1.4	3.4	1.4
Cantors	Tuesday	1.0	3.0	1.0
Davies (DY)	Thursday	-	-	-
ECU Tst	Thursday	-	1.0	-
EFM Dragon Tst	Thursday	-	0.06	-
Fortnum & Mason	Friday	6.0	84.0	10.0
Gent (SR)	Wednesday	1.25	0.75	0.75
Hays	Tuesday	1.3	2.7	1.5
Headway	Friday	-	0.7	-
Lloyd Thompson	Tuesday	2.7	6.3	1.65
MAI	Monday	1.4	4.1	1.4
Mucklow (A&J)	Tuesday	2.86	3.06	2.62
Murray Ventures	Thursday	3.4	6.9	3.4
Sheldon Jones	Friday	1.35	1.21	-
Southern Newspapers	Tuesday	3.0	7.5	-
SWP Group	Thursday	-	0.6	-
Throgmorton Dual Tst	Thursday	-	-	-
Trace Computers	Thursday	0.65	0.9	0.55
Waterman Partnership	Friday	1.0	1.0	0.5
INTERIM DIVIDENDS				
Anglia Television	Thursday	2.86	6.4	-
Antofagasta Holdings	Thursday	6.0	13.0	-
Appleyard Group	Thursday	2.6	5.2	-
Aran Energy	Wednesday	-	-	-
Ashley (Laura)	Wednesday	-	0.1	-
Black (A&C)	Thursday	4.25	8.75	-
Brake Brothers	Tuesday	1.65	4.1	-
Brent Chemicals	Monday	1.54	5.6	-
Britannia Group	Wednesday	1.0	-	-
British Aerospace	Tuesday	8.9	16.1	-
British Fittings	Tuesday	1.375	4.0	-
Brixton Estate	Tuesday	2.9	5.2	-
BSG Int'l	Wednesday	0.7	2.5	-
Caverdale Group	Thursday	-	-	-
Central Independent TV	Friday	7.5	23.0	-
Chester Waterworks	Monday	-	-	-
Clayform Props	Friday	-	-	-
Clyde Petroleum	Wednesday	0.5	0.75	-
Comac Group	Tuesday	-	-	-
Copymore	Wednesday	1.7	-	-
Costain Group	Wednesday	4.75	-	-
Crestacare	Tuesday	0.7	-	-
Dagenham Motors Group	Wednesday	1.75	4.0	-
Dencora	Wednesday	-	5.5	-
Dinkie Heel	Monday	0.35	0.6	-
Donelon Tyson	Friday	-	1.2	-
Edinburgh Fund Managers	Monday	6.0	8.0	-
Elswick	Tuesday	0.22	-	-
Era Group	Thursday	-	-	-
Foreign & Colonial Pacific	Friday	0.75	1.0	-
Garton Engineering	Friday	1.75	6.25	-
Geest	Wednesday	3.6	4.3	-
Hampden Group	Thursday	0.2	1.8	-
Harrington Kilbride	Tuesday	-	-	-
Hartons Group	Tuesday	-	-	-
Havelock Europa	Thursday	1.5	-	-
Hay (Norman)	Thursday	0.5	0.84	-
Headlam Group	Wednesday	0.75	1.65	-
Headline Book Publishing	Thursday	0.5	2.5	-
Helene	Monday	0.65	1.36	-
Henderson Highland Tst	Wednesday	1.4	1.4	1.4
Highcroft Inv Tst	Thursday	1.65	2.85	-
Hopkinsons Group	Thursday	1.2	2.5	-
HTV Group	Friday	1.5	2.25	-
Huntleigh Technology	Wednesday	1.75	2.75	-
ISA Int'l	Wednesday	0.41	0.95	-
I&S Optimum Inc Tst	Wednesday‡	1.8#	1.85#	-
Kinta Kellas	Thursday	-	-	-
Korea Liberalisation Fund	Friday	-	-	-
Lambert Howarth	Thursday	4.0	8.5	-
Metalrax Group	Monday	1.0	2.9	-
Microvitec	Monday	-	-	-
Mollins	Friday	3.0	8.75	-
More O'Ferrall	Thursday	3.2	10.0	-
Morrison (William) Supermarkets	Thursday	0.4	1.6	-
Mowlem (John) & Co	Friday	5.65	4.85	-
Newarthill	Thursday	-	-	-
Next	Tuesday	-	0.75	-
Norish	Tuesday	4.47	7.0	-
Pittard Garnar	Wednesday	-	1.5	-
Refuge Group	Monday	9.0	20.0	-
Rose Group	Monday	0.03	0.3	-
Russell (Alexander)	Monday	1.0	1.15	-
Schroders	Monday	5.0	13.0	-
Seafield Resources	Tuesday	-	-	-
Secure Tst	Wednesday	3.5	8.5	-
Sentry Farming	Friday	-	1.0	-
Spirax-Sarco Engineering	Wednesday	2.7	6.3	-
Spring Ram	Thursday	0.09	0.2	-
Tarmac	Tuesday	3.0	2.5	-
Telemetrix	Thursday	-	0.6	-
Tesco	Tuesday	2.0	4.3	-
Travis Perkins	Wednesday	2.5	5.5	-
TT Group	Tuesday	2.2	3.3	-
TV-AM	Thursday	4.0	10.0	-
Unidare	Monday	4.1	10.9	-
United Newspapers	Thursday	7.5	13.5	-
Vickers	Thursday	3.7	2.3	-
Whatman	Thursday	2.9	5.8	-
Wolstenholme Rink	Tuesday	6.3	10.0	-
Yule Catto	Thursday	2.3	3.1	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ‡ = 1st quarter figures. # = Quarterly dividends.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
All Electronic Prods	Jun	11,200 L	(14,800 L)	-	(-)	-	(0.1)
Alumasc Group	Jun	7,200	(5,850)	31.3	(28.5)	11.0	(10.0)
Arcadian Int'l	Apr	853 L	(3,680 L)	-	(-)	-	(-)
British Data Mngment	Jun	2,500	(1,140)	11.9	(7.8)	1.0	(-)
CALA	Jun	980 L	(8,940) L	-	(-)	2.3	(3.4)
Close Brothers	Jul	12,600	(12,000)	22.7	(21.1)	9.5	(8.8)
Community Hospitals	Jun	6,750	(5,810)	16.0	(15.6)	6.5	(6.0)
Dalgety	Jun	116,800	(110,900)	38.6	(36.4)	19.5	(18.5)
Domestic & General	Jun	6,190	(4,950)	61.13	(48.11)	18.0	(15.0)
Dowding & Mills	Jun	8,530	(6,420)	3.12	(4.09)	2.5	(2.4)
Everest Foods	May	3,310	(2,640)	20.13	(17.97)	7.0	(6.6)
FII Group	May	6,460	(7,150)	30.8	(33.5)	14.0	(12.7)
Foreign & Col High	Jun	1,170	(922)	3.1	(3.36)	2.52	(2.4)
Gabicci	Jun	524	(1,430)	2.9	(8.5)	2.0	(4.25)
Green (Ernest)	Jun	458	(2,150)	4.3	(18.1)	7.0	(7.0)
GT Venture Inv	Jun	479	(653)	3.01	(3.2)	2.5	(2.5)
Heggars (John)	Jun	2,690	(1,820)	9.02	(5.6)	3.0	(3.0)
Kleinwort Dev Fund	Jul	825†	(719†)	13.6	(11.9)	10.5	(9.5)
Logica	Jun	7,050	(3,700)	7.0	(-)	3.66	(3.5)
Merchants Tst	Jul	6,450⊕	(6,180⊕)	6.31	(6.04)	5.3	(5.0)
Northern Industrial	Mar	426	(434)	24.7	(25.7)	23.0	(22.0)
Osprey Comms	May	336 L	(869)	-	(4.67)	0.65	(2.7)
Photo-Me Int'l	Apr	16,400	(17,100)	17.9	(17.06)	4.4	(4.2)
Polypipe	Jun	15,400	(13,900)	6.69	(6.63)	1.97	(1.87)
Renault Truck Inds	Dec	16,600 L	(20,600 L)	-	(-)	-	(-)
Scholes Group	Jun	3,170	(4,580)	8.9	(8.5)	5.0	(5.0)
Second Alliance Tst	Jul	9,980	(9,720)	37.2	(36.1)	36.5	(35.0)
Star Computer	Jun	119	(886 L)	1.9	(-)	-	(-)
Tottenham Hotspur	May	2,660	(1,780 L)	20.2	(-)	-	(-)
Trafford Park Est	Jun	3,630	(3,300)	3.8	(3.6)	2.57	(2.57)
Triton Europe	May	335 L	(46,100)	4.71	(38.0)	-	(-)
Usher (Frank)	May	1,070	(775)	10.2	(7.2)	5.0	(4.0)
Walker (Thomas)	Jun	99 L	(66)	-	(0.38)	0.56	(0.56)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abbott Mead Vickers	Jun	1,540	(1,900)	3.0	(2.8)
Airbreak Leisure	Jun	2,920 L	(1,787 L)	-	(-)
APV	Jun	12,000	(14,500)	2.0	(2.0)
Arjo Wiggins	Jun	99,100	(135,500)	2.66	(3.3)
Aspen Comms	Jun	923	(1,150)	2.0	(2.7)
Baynes (Charles)	Jun	1,880	(3,020)	0.52	(0.5)
Bemrose Corp	Jun	1,860	(1,610)	4.3	(4.3)
Bentalls	Aug	1,050 L	(207)	0.6	(0.6)
Berry Starquest	Jul	40#	(119#)	-	(-)
Billam (J)	Jun	239	(109)	1.9	(1.84)
Bluebird Toys	Jun	234	(4,470 L)	-	(-)
British Polythene	Jun	6,530	(4,590)	3.6	(3.0)
Caird Group	Jun	11,500	(32,700)	6.0	(6.0)
Campari Int'l	Jun	1,030	(1,530)	3.25	(3.0)
Canning (W)	Jun	3,010	(3,050)	2.94	(2.94)
Christies Int'l	Jun	2,110	(3,040)	0.5	(2.3)
CI Group	Jul	1,420	(1,690)	0.82	(0.82)
Co-operative Bank	Jul	3,500	(700)	-	(-)
Dartmoor Inv Tst	Jul⊕	594♥	(553♥)	2.5	(2.4)
Davis Service Group	Jun	8,030	(7,060)	2.73	(2.73)
Delta	Jun	31,000	(33,100)	4.2	(4.2)
Eadie Holdings	Jun	85	(354 L)	-	(-)
EBC Group	Jun	535	(1,340)	1.75	(3.5)
Eidos	Jun	98 L	(169 L)	-	(-)
EIS Group	Jun	7,340	(7,060)	3.22	(3.17)
Elys (Wimbledon)	Aug	121	(203)	1.5	(1.5)
Evered Bardon	Jun	4,600	(10,300)	0.8	(1.93)
FBD Holdings	Jun‡	5,250	(4,430)	2.0	(1.8)
Finlay (James)	Jun	3,710	(5,140)	2.0	(2.0)
Folkes Group	Jun	650	(850)	0.57	(0.57)
Forth Ports	Jun	5,250	(4,410)	2.0	(-)
French Property Tst	Jun	256	(541)	-	(-)
Golden Vale	Jun‡	7,760	(7,310)	0.5	(0.42)
Guernseygas	Jun	2,700	(2,500)	0.9	(0.9)
Guinness	Jun	353,000	(350,000)	3.35	(3.05)
Halifax	Jul	318,000	(305,830)	-	(-)
Helical Bar	Jul	536	(694 L)	2.4	(2.4)
High Gosforth Park	Jun	64 L	(6)	-	(-)
Inchcape	Jun	117,100	(91,300)	5.4	(5.0)
Jeyes Group	Jul	2,110	(1,760)	3.1	(2.6)
JIB Group	Jun	10,700	(11,100)	2.5	(-)
John Lewis	Jul	20,200	(23,800)	-	(-)
Kingfisher	Aug	64,900	(62,500)	4.2	(4.0)
Kingspan Group	Jun‡	1,000	(1,500)	1.0	(1.0)
Kingston Oil	Jun	210	(761)	1.0	(1.0)
Kwik-Fit	Aug	9,740	(16,800)	1.35	(1.35)
Laporte	Jul	44,500	(50,300)	7.0	(6.8)
Legal & General	Jun	74,000	(56,100L)	6.2	(6.2)
LGW	Jun	435	(254 L)	1.12	(-)
Lilley	Jun	2,050	(1,730)	-	(1.0)
Linton Park	Jun	2,340	(2,490)	2.5	(2.5)
Lopex	Jun	125 L	(916 L)	-	(-)
Magnolia Group	Jun	52	(273)	-	(2.75)
Martin Currie Pac	Aug	223	(164)	-	(-)
Mayborn Group	Jun	1,660	(1,290)	1.6	(1.4)
MB-Caradon	Jun	60,600	(47,200)	2.75	(2.75)
Meggitt	Jun	12,600	(12,300)	1.25	(1.2)
Morgan Crucible	Jul	31,000	(28,500)	5.75	(5.75)
MTL Instruments	Jun	2,200	(2,350)	1.8	(1.5)
Oliver Group	Jun	4,870 L	(5,200 L)	-	(-)
Premier Cons Oil	Jun	8,000	(6,200)	-	(-)
Proudfoot (A)	Jun	12,000	(23,840)	6.0	(6.0)
Quarto Group	Jun	1,060	(1,210)	1.612	(1.612)
Ransomes	Jun	2,010	(767 L)	-	(-)
River & Merc Amer	Aug	250†	(253†)	1.8♣	(1.8♣)
RMC Group	Jun	62,100	(69,900)	6.6	(6.6)
Roskel	Jun	652	(548)	1.3	(1.3)
Sanderson Murray	Jun	633	(765)	0.6	(0.6)
Servomex	Jun	1,040	(922)	1.9	(1.8)
Sharpe & Fisher	Jun	420	(436 L)	1.5	(1.5)
Spandex	Jun	2,240	(2,160)	1.9	(1.8)
Speyhawk	Mar	9,540 L	(10,560L)	-	(-)
Stag Furniture	Jun	317	(932)	1.5	(2.5)
Starmin	Jun	1,350	(785)	0.1	(0.1)
Steel Burrill Jones	Jun	6,230	(5,290)	4.25	(4.25)
Swallowfield	Jun	421	(804)	2.2	(2.2)
Thames TV	Jun	15,200	(4,040 L)	2.5	(2.5)
Tibbett & Britten	Jun	6,720	(6,340)	3.8	(3.4)
Trinity Int'l	Jun	7,890	(6,940)	2.7	(2.5)
Try Group	Jun	380	(501)	0.5	(2.0)
Unichem	Jun	15,000	(9,690)	1.9	(1.65)
United Biscuits	Jul	70,000	(84,400)	5.5	(5.5)
United Friendly	Jun	9,510	(7,760)	4.9	(4.2)
USDC Inv Tst	Jun	1,180#	(825#)	1.25	(1.0)
Usher-Walker	Jun	9	(217)	2.0	(2.0)
Wassall	Jun	6,240	(3,120)	0.8	(0.67)
Waterford Foods	Jun‡	8,690	(7,710)	1.15	(1.1)
Watmoughs	Jun	5,100	(2,600)	2.7	(2.5)
Wood (Arthur)	Jun	43 L	(41)	-	(-)
Woodchester Inv	Jun‡	17,500	(18,000)	1.61	(1.51)
World of Leather	Jun	94	(41)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. # = Net profit. † = Net revenue. ‡ = Figures quoted in Irish pounds & pence. ⊕ = Attributable profits. ♣ = Second interim dividend. ⊕ = 1st quarter figures. ♥ = Available revenue.

RIGHTS ISSUES

EIT is to raise £1.9m via a 2-for-5 rights issue at 17p.

Diary of a Private Investor

A guide to good companies

***Kevin Goldstein-Jackson** outlines his system for deciding whether to buy shares*

AS A PRIVATE investor, I have already made use of the *FT*'s new company reports service and found it fast and efficient. For just the cost of an ordinary phone call, I can receive a copy of a number of company reports.

Further details are given on the *FT* share price pages, where companies for which reports are available are marked with an ace of clubs.

Unfortunately, only 130 companies have so far availed themselves of this service, but I hope this number will increase in the near future. I would particularly like to see more small to medium companies on the list; the more interest taken in them, the more marketable their shares might be.

In these difficult and uncertain economic times, however, I remain very wary about further stock market investment. It has to be a pretty good company to attract my money.

I am, therefore, using a marking system when looking at company reports in order to decide if further investigation – and possibly investment – might be warranted.

Under my system, each company starts with 100 points. I then flip through the pages of the report. If I see more than one photograph of the chairman, I deduct five points. If the company has just moved to an expensive and luxurious new head office building, 15 points are deducted.

I then look at the chairman's statement. Has he given a profits warning – perhaps shrouded in words like "trading is proving difficult" or "we are well poised to take advantage of conditions when the current recession ends?" If so, I deduct 20 points.

(The reason I deduct only 20 is that, theoretically, by the time the report has been published, the market ought to have adjusted to take account of the chairman's views and analysts' comments.

Also, a number of chairman are unaware of the true state of their company – or wish to conceal it – and so do not reveal as much as they might. So, as an indication of prospects, the chairman's statement has to be viewed with some caution).

I then look at the list of substantial shareholders (those owning more than 3 per cent of the company's ordinary share capital). If the list contains no signs of any respected City institutions or major personal shareholdings, I deduct 10 points.

Do all the executive directors own shares? Five points are deducted for each one who does not.

Is the company in a niche market with very little competition or the owner of undervalued brand names? If not, I deduct 10 points. Is the company proposing a change in the date of its year-end? If so, 15 points are deducted.

It is the accounts of the company and, more importantly, the note to the accounts, that can cause most points to be lost: 75 are deducted if gearing is more than 100 per cent.

If the company capitalises interest, 15 points are deducted. If the short-term borrowings are greater than the long-term, the penalty is 25 points.

A further 15 are lost if the company has a large amount of borrowings in certain foreign currencies where changes in the exchange rate could prove costly.

Have there been any changes in the method of valuation of stocks? If so, and the effect of this is to increase stock values significantly, then 20 points are deducted.

Even without a change in valuation policy, there will be a further penalty of 20 points if stock levels/values have increased considerably over the previous year. I would be concerned the company might not be able to find buyers for all its products stockpiled at profitable prices.

Has the company sold assets to companies in which it also has a large shareholding, and attributed large profits to such asset sales? If so, I deduct 60 points.

Has the company engaged in a number of deals where deferred consideration is payable? If so, 15 points are lost.

If the company has changed its depreciation policy by considerably extending the depreciation period of plant and equipment, then 15 points are deducted.

Is the pension scheme fully-funded? If not, I deduct between five and 15 points depending on the amount of under-funding. If the scheme is over-funded and the company is having a pensions "holiday," five points are lost.

Does the company have any contingent liabilities? If so, then five to 30 points will be deducted depending on their size and nature.

Does the company have a good cash flow? If not, 25 points are removed. And a further 15 points are lost if the company does not have a healthy amount of cash on deposit with reputable banks.

Do the accounts contain a statement along the lines of: "The open market value of the company's freehold properties is substantially in excess of the book value?" If not, I take away 10 points.

Have the auditors qualified the accounts of the company? Depending on the nature and number of such qualifications, 20 to 80 points will be deducted.

If staff costs have increased considerably over the previous year, then 10 points are deducted; and if the directors have had considerable salary increases while the profits of the company have fallen, then a further 10 points go.

If the net asset value of the company is not more than its current market capitalisation, I deduct 10 points.

Of course, I also look at the profits of the company. But, again, by the time the report is published the market ought to have adjusted the company's share price to take account of reduced or increased profits. On some occasions I may, therefore, not deduct any points for reduced profits.

Any company that has lost all its 100 initial points (or more) will not, in present circumstances, be considered by me for investment.

Every company will have lost some points by my system, and a company with fewer than 35 remaining will be viewed with considerable caution. Naturally, those with more than 35 would be investigated further before I invested.

For the record, Pentland Group and British and American Film Holdings would have passed my test; companies such as Gresham House, Maxwell Communications, Leading Leisure and the Lep group would have failed it.

I stress that this scoring system is based only on my personal judgments and might well not suit others. But at least it ensures I go into future stock market investment with my eyes open wider than before.

■ *The Annual Reports Service is available by calling 081-643-7181. Readers need to quote a code, which is shown on the share listings page at the back of the FT's front section.*

BES slips past the Revenue's curbs

John Authers explains how sponsors have reduced risk

THE BUSINESS Expansion Scheme (BES), introduced to encourage investment in cheap rental housing, has slipped the bounds set for it by the Inland Revenue.

The original idea was to offer investors full top-rate tax relief in return for two "catches" – they had to put their money away for five years, and take a substantial risk. But the schemes put on the market for the present BES season seem to have eradicated both.

BES sponsors started limiting risk by asking housing associations and universities to covenant to pay a fixed sum for BES shares after the five-year tax-exempt period had elapsed. But these schemes had no third-party guarantees from financial institutions.

Now, however, several clearing banks have been persuaded to underwrite schemes. These companies are effectively as safe as the banks themselves.

The latest innovation, which turns the tax shelter market on its head, is the non-recourse loan. Investors can take out a loan, with shares in a BES company as security. This allows them to realise their investments well within the usual five-year BES period.

Taking out leverage to benefit from tax reliefs would normally be risky. If something went wrong with the BES, the borrower could find calls being made on his other assets. But a scheme introduced last week by Johnson Fry, and imitated immediately by others, allows for non-recourse loans.

Under this scheme, the bank was allowed to recoup its money only from the BES shares and had no recourse to the borrower's other assets. This opens the way for stupendous returns simply by arbitraging the Inland Revenue.

Johnson Fry was quickly imitated by Close Brothers' Bessa Blue Chip scheme, guaranteed by Barclays, and both issues are now almost fully subscribed. More schemes on similar lines seem certain to appear, however, as demand has proved to be exceptional.

Under Johnson Fry's scheme, TSB's Mortgage Express agreed to lend investors an amount equivalent to 76p for every £1 they invested. Top-rate taxpayers would have received 40p in tax relief and so, in practice, would have invested only 60p.

This is equivalent, after the delay in receiving tax relief is taken into account, to an annual yield of 19.8 per cent.

Basic-rate taxpayers would only make a profit of 1p, having parted with 75p.

Close Brothers then introduced a non-recourse loan with identical terms of 76p per 100p invested after one year, and also offered to lend money at 72p per 100p invested after six months – at about the same time the tax relief would arrive. According to Close Brothers, this is an annualised yield of 25 per cent.

Terrace Hill Capital and Smith & Williamson Securities are sponsoring two schemes (with guarantees from large banks) which will buy newly-built properties.

Accumulus, sponsored by Terrace Hill, will buy properties built by developer Metfield Estates. After five years, Metfield will pay £1.25 for every £1 spent now to buy back the properties. If Metfield is unable to do this, the money will be paid by the Standard Chartered Bank instead. Loans are available after one year, but fixed-rate non-recourse terms have not been negotiated.

Cavendish Wates Guaranteed, sponsored by Smith & Williamson, is similar. Wates, the developer, will build and then buy back the properties for the same price of £1.25 for every £1.00 spent now. Wates' ability to pay is guaranteed by Midland Bank.

The equivalent annual yield to a top-rate taxpayer of both these schemes is 14.7 per cent – better than the TSB and Barclays' offerings, which work out at 13.8 per cent and 13.7 per cent respectively if held for five years.

Also on offer is the Third Johnson Fry University Cash-Backed scheme, which will buy property for Loughborough university. There are no special loan provisions, but the scheme is backed by a certificate of deposit held by the Law Debenture Trust Corporation. The rate over five years is £1.28½ for every £1.00 invested now. A similar offer is available from Airways Assured II. However, analysts John Spiers of BESt Investment, and Anthony Yadgaroff of Allenbridge have both found fault with the estimated annual yield of 15.3 per cent published by the scheme. Spiers says it should be closer to 14.9 per cent, they say. The cash backing arranged for the scheme is sufficient only to cover 74 per cent of the necessary cash at the end of five years.

Chamberlain De Broe, an independent adviser, is offering an execution-only dealing service for BES schemes at a charge of £50. Alan Greening, of Chamberlain De Broe, points out that locking in to the BES for five years could still be wise, as there is no way of knowing what tax shelter arrangements will replace it.

According to Greening: "You are sacrificing the long-term returns by opting for a short-term loan. We would recommend that after April 5, people should be locking up for five years because we don't know what the alternatives to BES are going to be."

He accepts that the non-recourse loan was "almost a stroke of marketing genius" on the part of Johnson Fry, and he expects other banks to offer higher loans. He regards 80 or 90 per cent loans as feasible because many banks have large property portfolios.

Less secure BES companies are on offer. Kerrington Maxi-Growth is the latest in a series of companies which buy property, rent it (hopefully, for high yields) and then aim to sell for a profit after five years.

CGT relief is limited

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

MY WIFE and I have been in self-employed partnership for over 30 years. During this time, we have run three separate strands of activity under different trading names - each filing its own accounts, but with common resources operating from our flat.

We made one of these a limited company because of the higher risk but it still operated without employees, and using the common facilities of the partnership.

We have received an offer for the limited company and its one product activity. The Inland Revenue guidelines on CGT retirement relief for "family businesses" indicate that relief is only available to full-time family directors. Over the years, the activity of the limited company has become the principal source although our other work as a self-employed partnership has continued inseparably from the limited company.

Our drawings from the company go into our main partnership account (with all other income) on which we have always been taxed as self-employed people. Can we qualify for the CGT retirement relief if the limited company is sold? We are both over 60.

■ You and your wife do not appear to satisfy the arbitrary criteria for relief under section 163(5) of the Taxation of Chargeable Gains Act 1992. However, the solicitor who acts for you in the sale of the shares will be best placed to advise you, since he or she will have ready access to the relevant facts.

Overseas posting

I AM an officer in British Army on the Rhine and I am treated as resident for tax purposes. My wife has no job and will be here for several tax years. Her unearned income from building society accounts in the UK exceeds her personal allowance.

Is she allowed to open an "overseas" account that would pay interest gross? If so, would such a course alter her entitlement to a personal allowance for UK income, and my entitlement to the married couple's allowance.

The tax office say an overseas account is "inappropriate" but I cannot pin them down to whether it is allowed.

■ While we cannot give investment advice (in view of the Financial Services Act 1986), we invite your wife to consider whether it would not be more convenient for her to move her accounts offshore, say to the Channel Islands or to the Isle of Man. The administrative burden which the Inland Revenue is imposing on UK building societies and banks with members and depositors who are nor ordinarily resident in the UK makes it increasingly unattractive for anyone who is living overseas to keep their account in the UK. You will no doubt have seen reports that some UK building societies are already telling their overseas members and depositors to take their business elsewhere. Although others have offshore associates happy to take over the provision of account facilities for a) overseas depositors and b) UK depositors who, for example, want to receive untaxed interest rather than to wait for tax refunds (with consequent loss of interest).

The location of your wife's accounts etc does not affect your entitlement to the married couple's allowance.

FINANCE AND THE FAMILY/MINDING YOUR OWN BUSINESS

News in Brief

GEORGE BUSH, the US president, is not the only one to promote family values this year. TSB Group, the UK bank, is offering a "family bonus" to encourage several members of the same family to open savings accounts.

However, the TSB is taking a rather more liberal view of the term "family" than would be popular in the Republican party. Unmarried couples are as entitled to benefit from the bonus as lawfully wedded ones. Terry and Julian can join as well as Terry and June. Indeed, TSB will welcome any group of eight or fewer who want to register as a family – there will be no checking into their antecedents.

The bonus will work by treating, for interest rate purposes only, the several accounts of separate family members as one big deposit. Because savings accounts have a "banded" structure, with higher rates for higher deposits, this should mean increased returns for all family members.

Say Mr and Mrs Smith, and their children John and Jane, each have £1,500 in TSB's 60 day notice account. Each deposit would normally earn 8.3 per cent in gross annual interest, the rate TSB pays on amounts between £500 and £4,999.

Under the new scheme, the accounts are treated as if they were each one big deposit of £6,000. Each family member would thus earn 8.5 per cent gross, the rate TSB pays for deposits between £5,000 and £9,999.

TSB insists there will be no loss of privacy. Each account will be kept separate, and family members will only be made aware of the total account balance, not the individual components.

There are some limits. The maximum band into which family accounts can move is the £25,000 to £49,999 range; so any individual with a balance of more than £25,000 will not benefit from the scheme, although other members of their family might. The products which qualify for the scheme are the 60 day notice account, the flexible savings account and FirstSave.

The aim for TSB is to attract additional retail deposits and to establish brand loyalty among their existing accountholders. The bank says it is only aware of one other scheme (in Canada) which is run on the same lines.

The scheme will be launched in October, with an advertising slogan "Now Everyone in the Family Counts for More". It cannot be long before some politician pinches the line.

* * *

THE INLAND Revenue has issued Form 18 for married couples who wish to apply to transfer all or half of the basic allowance of £1,720 to the wife. It should be returned before April 6 next year.

Full details are available in leaflet IR80.

* * *

UNIT-LINKED life assurance products show a worrying variance in performance, according to a survey for *Money Marketing* by the actuaries Clay & Partners.

It also provides further evidence that with-profits bonuses are likely to fall, and casts doubts on the rules for disclosure of costs currently being used by Lautro, the life assurance regulator.

The survey includes details of the full range of unit-linked life assurance investment products – maximum investment plans, personal pensions, and the old Section 226 policies.

Performance varies widely within and between companies, suggesting that switching between funds needs to be done very carefully.

On maximum investment plans, on a monthly premium of £70 over a 10-year period, Standard Life has the highest maturity value for a managed fund with £13,479, while Target Life comes last with £9,563.

For single premium bonds, the best performer over five years is London & Manchester's property fund with an increase of 63.97 per cent.

Cash and – perhaps surprisingly – property funds dominate the list of best funds over this time period, while Far East and Japanese funds have been worst.

With-profits pay-outs are much higher than equivalent unit-linked contracts, suggesting that with-profits bonuses have not yet come down by enough accurately to reflect market performance over the last five years.

The average £35 per month 10-year with-profits endowment had, at March 1 this year, paid out £8,290. The average UK managed unit-linked MIP made £6,009, while the total variation in all unit-linked MIPs was from £8,636 – still barely above the average with-profits – to £3,001.

Clay & Partners also sounded a warning on pension charges. The survey says that the reduction in yield on an average single premium personal pension for someone aged 59 would be 7.5 percentage points. According to Lautro, this figure is only 6.21 per cent. This sounds unimportant, but these figures show how much charges would deduct from an annual yield of 10.75 per cent. If Clay & Partners are right, charges would gobble this down to 3.25 per cent – below the rate of inflation. Beware the small print.

* * *

STOCK MARKET analysts take many factors into account when assessing shares, but rarely mention one of the factors most useful to private investors – the perks made available to shareholders.

The Savers Organisation, administered by Hargreaves Lansdown, Bristol BS8 (0272-767767), has now published a booklet, *Attractive Perks for UK Shareholders*. Some of the advantages which can come with share-ownership make the current market look very good value.

For example, all shareholders in The Savoy Hotels have a 10 per cent discount on accommodation at a range of hotels, including The Savoy and Claridge's. Whitbread last year offered all its shareholders a discount equivalent to £45 on purchases of £300. If you believe in the product . . .

* * *

SMALL COMPANY shares have finally escaped from their downward spiral. The prospect of lower interest rates, which pushed up the FT-SE 100 by over 250 points in 2¼ days this week, allowed smaller stocks to rally. The Hoare Govett Smaller Companies Index rose 1.4 per cent to 1009.02 over the week to September 17; the County Small Companies Index increased by a more modest 0.1 per cent to 790.0 over the same period.

Directors' Transactions

IN THE building materials and construction sectors – traditionally, where the first show of economic recovery is evident – directors at four companies have been buying.

Sir Oswald Davies, a non-executive director of AMEC, purchased 50,000 shares at 59.5p while the chairman, chief executive and finance director of Taylor Woodrow all acquired shares at prices between 36.5p and 41p. The company had announced interim results earlier this week.

Newman Tonks, the building materials group, has seen its share price fall from over 160p at the beginning of the year to about 90p. Both the chief executive and finance director bought a total of 25,008 shares at 94p.

At Norcros, another building materials and property group, the entire board of eight purchased stock at prices between 73-74p, thus increasing their holdings by a fairly sizeable proportion.

Fisons, in the health and household sector, reported interim results affected by continuing problems of supply and regulation in the pharmaceutical division. The chairman bought 26,500 shares at 151p, which now accounts for the majority of his holding.

Shandwick, a public relations company, saw sizeable buying by three directors at prices between 2.75-3.25p. Since the end of last year, the share price has collapsed from around 140p. But following the announcement of director dealing, the price rallied to 5p and director activity has continued.

Angus MacDonald,
Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Burtonwood Brewery	Brew	50,000	60	1
Dartmoor IT	InTr	35,000	32	1
Leslie Wise	Text	500,000	280	1
MacDonald Martin	Brew	15,750	52	1
Nobo Group	Misc	200,000	200	1
Reliance Securities	BuSe	8,000	22	1
Sainsbury J	FdRe	34,623	167	1*
PURCHASES				
AMEC	C&C	50,000	30	1
Banner Homes	C&C	93,750	15	1
Black Arrow	Misc	63,516	16	2
CRH	BdMa	7,000	14	1
English China Clays	Othl	36,800	142	2
Evans Halshaw	Motr	33,000	65	3
Fairhaven	O&G	100,000	19	1
Fisons	Hlth	26,500	40	1
Haden MacLellan	EngG	162,250	44	3
Hambros	Merc	10,000	21	1
Hillsdown Holdings	FdMa	20,000	20	1
Newman Tonks	BdMa	25,008	24	2
Norcros	Othl	61,568	46	6
Pegasus	Elec	20,000	30	1
Shandwick	Med	3,846,152	115	3
St Modwen	Prop	225,000	29	1
Taylor Woodrow	C&C	147,000	57	3
Thorn EMI	Holl	11,380	77	1
Tinsley Robor	Pack	515,000	28	3
Transatlantic BCvPf	InsL	25,000	17	1
Williams Holdings	Othl	6,000	12	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 7-11 September 1992.

Source: Directus Ltd, Edinburgh

In tune with musical history

***Nick Garnett** meets a man who rebuilt Beethoven's piano and dreams that Chopin is a client*

FOR A man brought up in the freeway-riven urban sprawl of Los Angeles, the view from David Winston's office still gives him some amusement. A straggle of ducks aimlessly waddles past the front door. In the field alongside, horses graze and rabbits gambol near the hedgerow. The remains of an ancient wooden hop press protrude from a clump of grass and weeds.

In a converted oast house in the Kent countryside, Winston practises his esoteric yet practical trade. Winston and his team of three restore old and sometimes famous pianos and build reproductions of them, hand-crafting to the finest detail components rooted in early 19th century technology.

On one floor of Winston's studio-workshop, a large central table is littered with technical drawings. These are being used to recreate – for two reproductions – the innards of a piano built in Vienna in 1823 by Joseph Brodman, one of whose apprentices, Bösendorfer, gave his name to an Austrian piano maker still in existence. In a corner stands an 1884 instrument made by the English maker, Broadwood and used by Chopin on his last tour of Britain. Part of it is in pieces.

Another English piano, a Stodart made in the 1830s when Britain boasted the world's biggest pianoforte industry, is being restored at the far end of the studio for its owner, the National Trust. It was once owned by Mendelssohn. Downstairs, another 30 or 40 old instruments, most of them for sale prior to restoration, are in various states of disrepair. They include a peculiar looking cabinet piano – literally a grand standing on its head. There are no uprights. "I do not consider them real pianos," Winston says.

"Pianos like these are treated as antiques here. Plenty of people can install new components and the piano works, but it is wrecked as an original, leaving it with little value. Sometimes I will even say to a customer that if he wants an instrument's wood stripped and polished then I am not prepared to do it."

Winston took a degree in landscape architecture then trained in the US for seven years with first a violin maker and then a harpsichord maker. He married a British woman and set up his business in Britain in 1984 using £300 capital and renting an old stable. He moved into the quite sizeable oast house three years ago, paying £10,000 a year for the lease. "In this business, you cannot make a living unless your overheads are low. If you have normal overheads you can forget it as a business. I would not be able to get the lease at this cost in London."

Winston says his venture, the Period Piano Company, has been growing at about 15 per cent a year but this year's expected turnover of £130,000 is well up on last year's £80,000. This is because he has shortened the waiting list, although it is still over six months, and increased margins. The recession has hurt the company's direct piano sales, most of which are instruments which Winston buys in various states of ill-health. He sells these battered pianos on the basis that the price includes restoration work. Restoring instruments is threequarters of his business, up from 50 per cent in the late 1980s.

The company produces a pre-tax return of 15-20 per cent. This is after Winston and his wife, Amanda, who also works in the business, take out salaries allowing a "modest" living. Winston drives a BMW estate.

Winston was selected to restore the piano Broadwood gave Beethoven in 1818 and which the composer played until it nearly fell apart. Restoration of the instrument – insured for £5m and later owned by Liszt – was done *in situ* in Budapest. The reputation this brings helps Winston sell reproductions. His company is making two "copies" of the Brodman, one selling for £17,000, the other, started later, for £25,000. Clients for such reproductions are usually professional musicians. Most of the business seems to arrive by word of mouth.

"The price for a reproduction compares with perhaps £40,000 and upwards for an original of this order in perfect condition. Some of the ones I have downstairs might sell for perhaps £10,000 or so after restoration. A brand new grand from Japan might cost £8,000 but that depreciates like a Lada. I think modern pianos are over-priced and mine are under-priced."

He would say that, you might think. But purchasing a restored or reproduction piano, apart from its retention value, also allows the buyer to pay in stages with an up-front payment of usually no more than £3,500. Reproductions are only made on commission. Winston travels to continental Europe to buy old instruments, sometimes paying no more than a few thousand pounds.

Restoration and the making of reproductions bring Winston and his team into a microworld of specialist component suppliers. Nineteenth century pianos use iron strings with a total pull of perhaps 4,000 kilos whereas modern ones use cast steel with a tension of maybe 15 tonnes. The work can be extraordinarily fiddly. Each of the scores of hammers and dampers in a piano are made of several components which have to be glued, pinned and, in places, covered with leather. The Period Piano Company uses a small number of powered working tools.

'A brand new grand from Japan might cost £8,000 but that depreciates like a Lada'

Old pianos with their iron strings produce a clearer, more taut and less homogeneous sound. "Part of the reason is that the strings are almost at breaking point." But reproductions are often better, Winston argues. "The frames of orginals can be distorted and twisted and their insides can be quite crude. There is often nothing fancy inside. The makers, after all, were businessmen. They had to make a living."

Winson says he too has learnt to be a businessman. "Managing cash flow is difficult. If someone is late in making a payment I cannot put a piano into the bank account. The company is also labour intensive. I have learned to insist on rigid contracts with customers. Learning how to estimate costs takes time but I've now built up a book of jobs which I hold on computer."

One bonus of restoring famous pianos is the chance to mix dreaming with earning a living. "I like to think Beethoven and Chopin and Liszt were clients of mine."

■ *The Period Piano Company. Tel 0580-291-393.*

HIGHEST RATES FOR YOUR MONEY

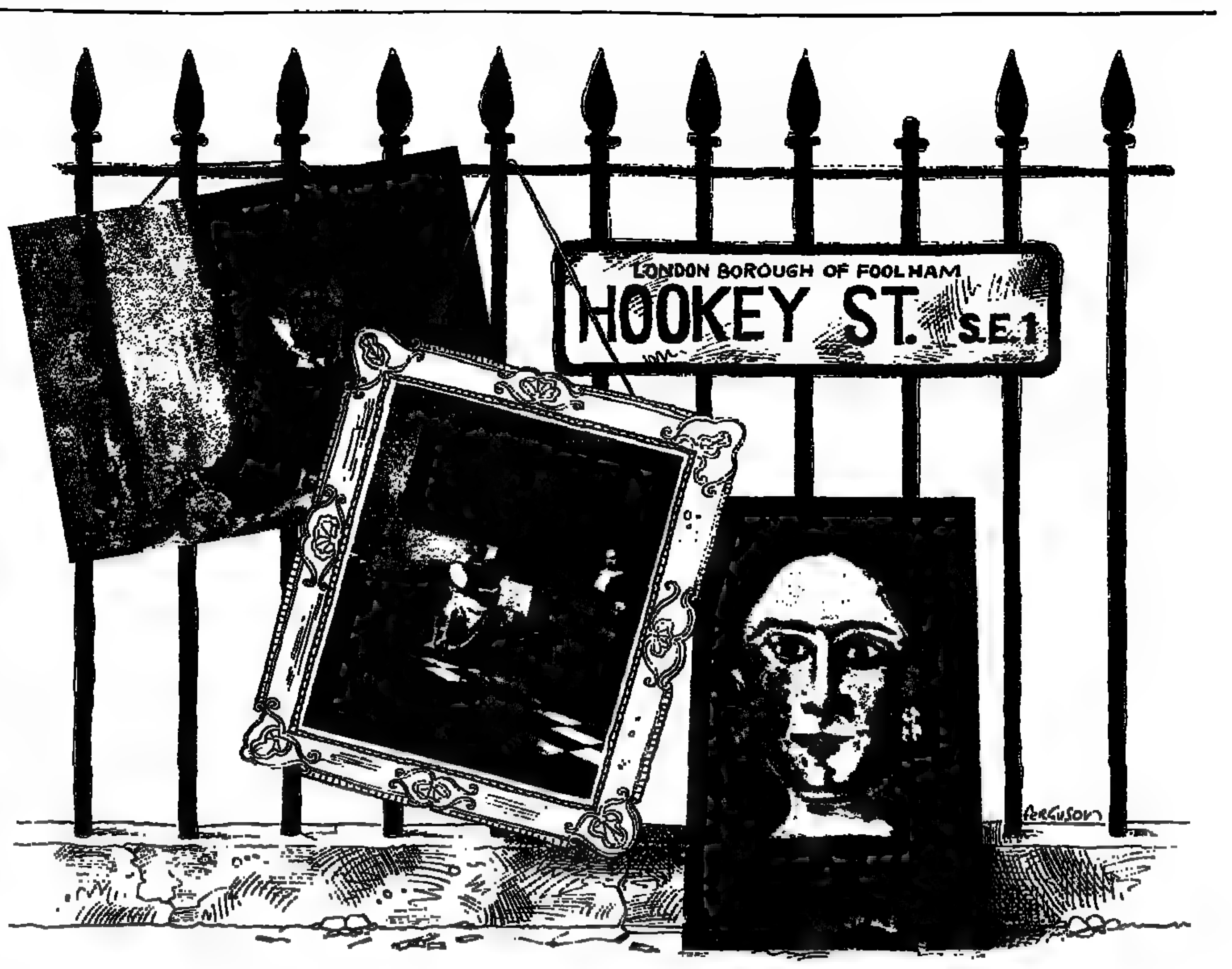
	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590578	Instant	£250	10.00%	Yly
Norwich & Peterborough BS	Post Master	0733 371371	Instant	£1,000	10.25%	Yly
Britannia BS	Capital Trust	0800 654456	Instant	£2,000	10.40☆	Yly
North of England BS	Edinburgh A/C	091 510 0049	Instant	£25,000	10.75%	Yly
Allied Trust Bank	3 Mth Notice A/C	071 626 0879	3 Month	£2,001	10.91%	Yly
Skipton BS	Imperial Bond	0756 700500	7.8.94	£5,000	11.00#	Yly
Chelsea BS	Premier A/C IV	0800 272505	31.1.95	£10,000	11.75♣	Yly
TESSAs (Tax Free)						
Allied Trust Bank		071 626 0879	5 Year	£9,000	12.66%	Yly
Julian Hodge Bank		0222 220800	5 Year	£20	12.50%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	11.60%	Yly
National Counties BS		0372 742211	5 Year	£3,000	11.50%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	9.50%	Yly
UDT	Capital Plus	0734 580411	Instant	£1,000	9.40%	Qly
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000	9.60%	Yly
				£25,000	10.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500	9.50%	Yly
Yorkshire Guernsey BS	Key Ninety	0481 719898	90 Day	£50,000	10.55%	Yly
Yorkshire Guernsey BS	Key Term Share	0481 719898	31.8.93	£10,000	10.50%	OM
				£50,000	11.25%	OM
Bristol & West Intl Ltd	Int Fxd Rate Bond	0800 833222	1.10.93	£50,000	11.00F	OM
GUARANTEED INCOME BONDS (Net)						
Prosperity						
Cannon Lincoln FN		0800 521546	1 Year	£5,000	8.15%	Yly
Laurentian Life FN		081 902 8876	2 Year	£2,000	8.50%	Yly
Providence Capitol		0452 371371	3 Year	£20,000	8.75%	Yly
Laurentian Life FN		0256 768888	4 Year	£25,000	8.25%	Yly
		0452 371371	5 Year	£50,000	6.95%	Yly
NAT SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£5	8.25%	Yly
	Income Bonds		3 Month	£2,000	9.00%	Mly
	Capital Bonds E		5 Year	£100	10.00F	OM
	First Option Bond		12 Mths	£1,000	9.67%F	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	38th Issue		5 Year	£25	7.50%F	OM
	5th Index Linked		5 Year	£25	4.50% +Infln	OM
	Childrens Bond C		5 Year	£25	10.10F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. # = Rate fixed until 31.1.93. ♣ = Rate fixed until 1.2.93. ☆ = Rate Guaranteed not to fall before 1.1.93. Source: MONEYFACTS, *The Monthly Guide to Investment and Mortgage Rates*, Walshams House, Stalham, Norwich. Readers can obtain a complimentary copy by phoning 0692-582806.

PERSPECTIVES AND GARDENING

Hi-tech sleuths who take art off the fence

Harriet Crawley visits the Belgravia bunker from which Brigadier Emson traces stolen art



BRIGADIER James Emson has been a trouble shooter all his life. When London's firemen went on strike he was appointed Chief of Staff for Military Firefighters. Today he is leading another fight, against art theft.

The weapons are not hosepipes or guns but computers, and some slick software produced in the US and installed in the basement of 13 Grosvenor Place, a stone's throw from Buckingham Palace.

From his high tech bunker, surrounded by five university graduates with degrees in history of art, the ex-Brigadier directs his fast-growing operation.

The International Art Loss Register is a computerised database of stolen art with over 40,000 items in its memory bank ranging from snuff bottles to marble Venuses. Items (they must be over £1,000 in value) are logged by description and by photograph on the state-of-the-art optical computer. The fees vary. Insurance companies take out a corporate subscription for £8,000-odd pounds, which means that whenever one of their clients is robbed the theft is automatically logged with the ALR; otherwise you and I pay £20 to register a theft, or £10 to conduct a "search," which says Emson, has no cut off point.

The ALR was founded in 1990 by a consortium of leading auction houses (Sotheby's, Christie's, Phillips) and insurance companies (Hogg Group, Lloyd's, Nordstern). It has confounded its critics and is proving extraordinarily successful in tracking down stolen art.

Recently, a man in a double breasted suit appeared at the counter of Sotheby's with a view of Westminster Abbey by John Inigo Richards, claiming he had bought it in a car boot sale for £40 and had cleaned it with Fairy Liquid. Sotheby's found the story far-fetched and rang the Register. There, Caroline Wakeford fed details into the Register, to instigate a "fuzzy" search, hoping for a "match." Up came an identical picture logged as stolen a month earlier. A cry of jubilation went up in the bunker.

The police are making increasing use of the Register. The police have free access to the ALR, and many of the "dedicated" officers spend hours in the bunker "fuzzy searching". Recently the Regional Crime squad paid a visit with photographs of two stolen pictures, Charles I and Henrietta Maria, copies of Van Dyke, which had been registered in 1991 by a loss adjustor. This led to the recovery not only of the paintings but of nine other items, all stolen from the same Somerset house.

"Liaison between the 52 different forces in Britain is poor," said Sarah Jackson, another articulate ALR sleuth. "Increasingly we act as go-between."

The Metropolitan Police logged the theft of several pictures from a private London house with the ALR; six weeks later the City of London police found a hoard of paintings in Jewry Street and, suspecting they must be stolen, came to the register offices with photographs. After feverish "fuzzy searching" the paintings were identified as the same sea scapes by James Cleveley the Elder and works by Thomas Luny, worth £60,000, which had been stolen from a private house in Westminster and registered by the Met.

At the end of July, the Register identified a stolen item of furniture when it was sold at an auction. This gave police the breakthrough which led them to a series of "fences" in London. They recovered 3,800 items stolen in burglaries in the the southern half of England. The Register identified 198 of the items, 80 of which were insured with Lloyd's.

The new head of the Metropolitan Art and Antiques Squad, Detective Chief Inspector John Butler, is so impressed with the Register that he is installing a modem in Scotland Yard to give the police instant access to the files. Emson is delighted: "The police don't have a comparable stolen art register which includes images, so we are filling a vacuum. We are the art equivalent of the Lloyd's register for shipping."

Sotheby's and Christie's, leading shareholders of the ALR, use it to have their catalogues searched at a cost of over £20,000 a year. "If we can show a painting has been stolen they will withdraw it at once... both Sotheby's and Christie's are determined to see a reduction in the traffic in stolen art."

Insurance companies have a vested interest in subscribing to the ALR (corporate subscriptions run at £8,500 a year.) They want to get the stolen art back so that they do not have to pay out.

"At last we're getting through to the loss adjustors," says Emson. "They are beginning to see that it is worthwhile registering thefts with us." The figures speak for themselves: 134 Lloyd's syndicates subscribe and over £400,000 of stolen art has been recovered. Syndicate 33 paid the ALR a fee of £2,179.60 and recovered £67,350 of art.

"Value for money," the ex-Brigadier purred.

But the art trade is showing little interest in the Register, even though the Society of London Art Dealers and the British Association of Art Dealers are both shareholders. Phillip Broadbridge of the London and Provincial Art Dealers Association says his members are sceptical of a commercial body which is doing the police's job for them.

Emson counters: "The police are unlikely to get a national database of stolen art... anyway even if they do it won't be available to the public. A dealer can subscribe for only £36 a year... it must be in everyone's interest to stop the circulation of stolen goods."

And yet dealers are not coming forward. "It's the hassle... police, perhaps a court appearance, a lot of wasted time..." says Phillip Saunders of *Trace* magazine, which circulates photographs of stolen art. "In my view dealers will never subscribe in any numbers... they should but they won't."

In France dealers are obliged by law to register all purchases except those bought at public auction.

"This draconian measure has been an effective deterrent against dealers who may otherwise have been tempted to buy stolen art," said Saunders. "It's only a matter of time before the same legislation comes to Britain."

Meanwhile, the ALR is spreading its international net: the European dealers' associations have subscribed, so have leading French, Swiss, German and US insurance companies. A few weeks ago the head of the Italian national art squad, Colonel Conforte, visited the Belgravia bunker.

Soon the ALR will be working round the clock. It is linking its computer with Centrox, a US company which digests the catalogues from 178 auction houses round the world. The ALR will be able to search for your Georgian tea pot, Constable sketch or Chippendale chair, world wide. Unless the art thieves think up a computer virus to stop it.

It's a hip scene in the bushes

THE HIPS on my rugosa roses have never been finer or more plentiful. I am not sure why because the crops of berries and other fruits in my garden are rather patchy; but, of course, the hips set quite late and the flowering of rugosas continues for a particularly long time and this year was very prolific.

I grow two varieties of Rosa rugosa, both single-flowered. One named Alba has white flowers and the other, Rubra, is magenta; both have the good rugosa perfume. Both flower from late spring until autumn but the hips are usually taking over by July.

These are big, flattened globes, rather like little tomatoes except that each has a distinctive green top-knot composed of the old calyx segments of the flower; this gives them a very distinctive appearance. They are carried in good clusters.

These two fine roses must not be confused with the rugosa rose that is used by nurserymen as a root stock for standard rose trees. This is closely related but is probably a hybrid. Certainly, it is a very inferior garden plant with quite a different habit, taller and laxer and with a pernicious habit of producing suckers very freely.

By contrast, the true Rosa rugosa is about as wide as it is high, well-branched and sturdy. Although it does sucker, it is not anything like so wide-ranging as the root-stock.

I like my rugosa roses not only because of their long flowering season and good crops of hips but also for their thick-textured, deeply-veined, dark green leaves which I have never seen marred by disease of any kind. This good health seems to be universal; even the pests keep off, as if the leaves contain something obnoxious. I prune late in winter with a hedge-trimmer and cut back only as far as necessary to keep the bushes from spreading too far.

Hybrids between Rosa rugosa and other roses tend to be sterile, which has limited the number of garden varieties made with this parentage. But there are some good ones, most notably Blanc Double de Coubert, Frau Dagmar Hastrup, Roseraie de L'Hay and Scabrosa.

The first, as its name implies, is white. The flowers are semi-double and the habit is sturdy and bushy, but it does not produce hips freely like the single-flowered varieties.

By contrast, Frau Dagmar Hastrup does produce lots of hips and they are of a particularly deep colour which contrasts well with the pale pink, single flowers. It is also shorter and more compact and so is not suitable for making a big hedge, but it can be used for a low one: say, 3-4 ft.

Roseraie de L'Hay is the best of the lot for flowers, which are semi-double and have a particularly rich perfume. Only in its relative lack of hips is it inferior. Scabrosa is extra-vigorous and everything about it is large – flowers (which are magenta), leaves and hips.

Apart from these, there are a number of roses that are related to Rosa rugosa but do not look anything like it. This, no doubt, is due to the sterility of most of its hybrids. But there is one notable exception, a rose now named Rosa kordesii. This has a remarkable history since it virtually amounts to the production, in cultivation, of an entirely new species.

German breeder Wilhelm Kordes was attempting to raise seedlings from a rose named Max Graff, which is a hybrid between Rosa rugosa and the vigorous, climbing species R. wichuraiana. For a long time he failed to get any fertile seed but, eventually, he produced two hips from which he managed to raise two seedlings.

One of these proved to have double the usual number of chromosomes and, on that account, to be fertile. This was the plant that was named R. kordesii, and Kordes has used it to produce a number of new roses, all of which, I think, are climbers.

Arthur Hellyer

When you need an expert . . .

***Robin Lane Fox** knows where to turn if his plants have fire-blight or Black Spot*


Lydia van der Meer

A close inspection of Notcutt's stand at the RHS autumn show

IN AUTUMN, leaves are suppose to fall romantically: this year, some of mine have made a premature exit.

Old-fashioned roses took their clothes off in July; hostas have turned to rags; some of the sorbus are wearing see-through and a particular type of malus has gone topless for most of the year.

I know how to handle a ragged hosta: reach for the slug bait, where the pet-friendly Growing Success is my No 1 choice. The other problems are more difficult. They all involve diseases and, here, I know very few of the answers. So do the experts, but sometimes they know one which we do not.

This week there has been one place to find an expert: the Royal Horticultural Society's Great Autumn Show. It is a gentle mixture of blood-red dahlias, blue autumn gentians with Scottish names and a heavy emphasis on fruit.

This show is much less crowded than Chelsea, but it shows you all the things which Chelsea is too early to permit. There are experts everywhere, experts at visiting flower shows, experts at finding beige suits, experts at finding things to do now that the children have grown up and a president who is expert at making speeches of welcome which have very little to do with the art of the gardening. If you mix with the rose-petal hats, you will soon find the expert you want.

By the bi-coloured collarette dahlias I met the redoubtable Mrs Robinson and settled my rose's treatment. Mrs Robinson has been a guiding spirit of the great garden at Hyde Hall in Essex. Its roses are famous; it has the Arthur Hellyer seal of special approval and the trust which now runs it is making it safe for future public visitors.

Since the 1950s it is the creation of the Robinson family on one of Britain's less favoured hills: Mrs Robinson is no ordinary Essex girl. Now in the autumn of life, she knows how to make a rose bush happy: what should we do with our naked old-fashioned roses which are plainly suffering from the awful Black Spot?

Mrs Robinson recommends a double attack. When the first leaves appear early in the year, spray them with diluted Nimrod T; try to spray fortnightly on any new leaves which appear; at the same time water freely, preferably by using a stretch of the newish dribble hosepipe, the type with leaky holes which can be laid along a flowerbed.

The hosepipe is certainly a good idea for those of you who have a source of water near. We have almost all forgotten the very dry spring, but it is probably the reason why Black Spot and leaf drop were so serious so early in rose gardens on less favoured soil.

What about denuded trees? Among the bigger nurseries, none is better than Notcutts at showing something seasonal among trees and tall shrubs to the best effect. Last week, their display of white and red berries on Sorbus trees was heavenly: Charles Notcutt, one of its presiding geniuses, was ready with all the answers. Your malus here are all very charming, I confessed to him, but I was told to grow grey-leaved Malus Torringoides five years ago and this wretched tree has lost its leaves every year in June. Dump it, he answered, hitting the floor with his walking-stick: grow Red Sentinel instead.

The family of Malus includes the crab apples and, apparently, my crab has caught scab. Red Sentinel is much more resistant and the Notcutt view is that the birds leave the red fruits on its sweeping branches until late in the season. Otherwise, he suggests, grow Golden Hornet instead.

I wondered if, perhaps, they were not, well, a little too obvious? Not to Notcutt: if they are so well known, it is simply that they are the best and that is why most people plant them. The results are in Notcutt's favour.

What about that problematic Sorbus, Joseph Rock? From time to time I mention fire-blight here and its special attraction for this lovely small tree, previously one of my favourites in any list. Fire-blight began in the south-west and readers as far north as Scotland have been writing to ask if it is likely to hit them too and, if so, what should they do about older trees?

The Notcutt view is that fire-blight is swirling in the atmosphere just about everywhere (I wondered if it was present in some of the rose-petalled hats) and that every garden is at risk to it. New plantings should therefore avoid Joseph Rock: personally, he likes the red-berried Sorbus Matsudama instead. Old plantings with existing Joseph Rocks need to be very careful not to prune or damage them during the autumn or winter when the blight will enter through scars. Nobody will be so tough as to pull up good old trees but if one starts to die back, show no mercy. Chop the lot before they infect roses and malus in the vicinity.

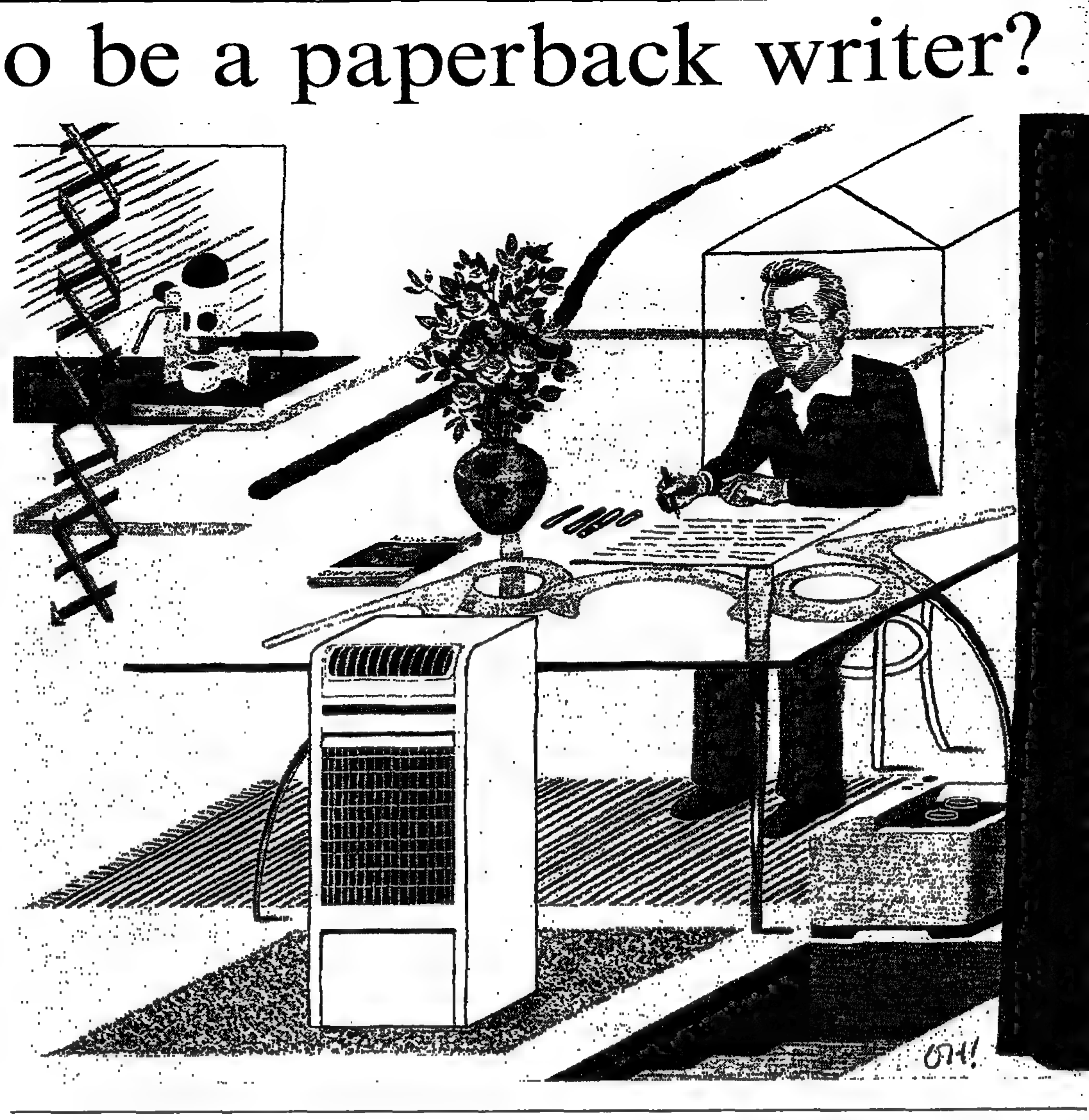
If this disease is all too much for you, why not sink your teeth into a Continental strawberry instead? The king of new strawberries is Ken Muir of Clacton-on-Sea, Essex. This year, he is marketing a new French number called Maras des Bois which combines the lushness of a garden strawberry with the subtlety of the small alpine variety from the woods.

The publicity did say that it would fruit in late spring, summer and autumn, but Ken Muir seemed more cautious: de-fruit it early in the first year and allow only one crop in the first two. Late cropping does happen, but wasps love it: duly chastened, I sampled a Maras des Bois which is best tasted when it has turned a dark red. I thought it an interesting bit of both, as the marketing once called British Biscuit in America.

If you do not like this French little fantasy, you can always leave it out for nearby French partridges: a French evening snack for my unannounced visitors who have, incidentally, returned at full strength after doing their best to destabilise the entire Anglo-French system before this weekend.

So you want to be a paperback writer?

*Popular fiction writers need a congenial work environment free of distraction, says **Michael Thompson-Noel.** Especially if they are knocking out a private eye novel that has a protagonist — Harriet Costley — who is tracking a lost Mantegna and eats strawberry ice cream for love food*



BOOK PUBLISHERS are anguished and despondent, just like everyone else. Yet it cannot last indefinitely. At some point this side of the millennium there ought to be a hiccup of recovery, a tiny burp of growth, which would-be novelists like me can take advantage of.

Not that I want to be Patrick White, or even Hanif Kureishi. My aim is strikingly modest: to write a thriller, set in London and starring a female PI (private investigator), that someone will want to publish and others will want to read.

Easy it is not. I only write at weekends. I have problems with minor characters and problems of credibility. The *mise en scène* is blurred. I have trouble depicting nastiness. I sometimes wonder if I am too nice and sheltered – a good word is vacuous – to even be attempting it.

But on I bravely plod. I believe I am halfway through. And at least I have a protagonist – sexy Harriet Costley – who bears not a flicker of resemblance to the current brood of sweaty, boiled-knuckled, post-feminist female investigators with whom publishers are enamoured. Harriet is investigating the theft of a Mantegna drawing. Somehow the trail leads her into ultra-right politics. She is intelligent and manipulative. She ought to be in the movies.

I am sure I am not alone in my weekend endeavours – that there are numberless beavering souls trying to break into the ranks of paperback writers (or paperback righters, in the case of private-eye fiction, where wrongs are righted, evil thwarted).

Perhaps you are thinking of trying it. If so, you will rapidly discover that what a fiction writer needs most is a congenial environment free of distraction. You need absolute quiet, because you must concentrate *absolutely*. A few toys help. Here are eight things that will help create an ideal work environment, or fiddle away the hours when creativity flags:

1) A table and chair. For some reason, I prefer working at a table to working at a desk. But it has to be a large one. A PI novel needs plenty of research. At present I use the dining table, but I am saving up for one of the smart and chic tables available at the Aero showroom at 96 Westbourne Grove, London W2 5RT. Aero produces an excellent range of modern furniture, including shelving and lighting. The table I like most is called the Drennan rectangular: cast aluminium base, glass top, designed by Robert Drennan – £740. There is also a round version at £590.

2) A good supply of pens. I am not a home computer bore. I usually write in longhand. I will probably buy a PC when I come to the first re-write, but for now I am using pens. There are times, when writing fiction, when the only thing you can do to chase away the blues is reach for a different pen.

Recently I visited The Pen Shop at 199 Regent St, London W1, which stocks about 2,000 different pens and has demure and helpful staff. Normally I *use cheap pens. If I had the* money I would buy the Waterman Man 100, which costs £190. As it happens, the most expensive pen in the shop, at £5,000, is a solid gold version of the Man 100. There are other branches of The Pen Shop in Leeds, Glasgow, Sheffield, Manchester and Newcastle.

'I find John Lewis vexingly eccentric. But I like its blinds'

3) A pot of artificial flowers to remind oneself, constantly, that nothing is what it seems, not in politics, philosophy, business or fiction. I *like* artificial flowers. I like a lot of things – patterned carpets, spotlights, brightly coloured wallpaper – that the snooties abominate; no wonder their homes are identically ruched and dull. You can buy artificial flowers practically anywhere.

I bought some this week, at Felton's, near St Paul's Cathedral – sprays of cream roses, you could hardly tell the difference. Someone who *can* tell the difference is my assistant, Miss Lee, an unreconstructed Thatcherite. Thatcherites like *dried* flowers artistically arranged in baskets and believe that Agatha Christie is an under-rated writer.

4) Portable air conditioner. A nice-looking mobile air conditioner is the Carrier Holiday 1 (the company's founder, Dr Willis Carrier, is the man credited with inventing air conditioning, 90 years ago). The Holiday 1 plugs into a standard power point and provides de-humidified hot or cold air instantly. It is mounted on castors and is reckoned to be quiet enough to use in a bedroom.

Like any proper refrigerated air conditioner, the Holiday 1 needs an exhaust tube, which can be run (vented) through a porthole fitted into a window pane or wall, up a chimney, through a partition, or through a slightly open window.

It costs £949 plus VAT from the Air Improvement Centre in Victoria (23 Denbigh St, London SW1). Its director, the deeply-informed Valerie Taplin, is almost as swishy as PI Harriet Costley. The centre supplies a wide range of products, not just air conditioners but air purifiers, humidifiers and de-humidifiers.

5) Ice-cream machine. When you're running hot, air *conditioning alone may not* cool you down. Some weeks ago I spent an adventurous £250 on a Gaggia Gelatiera. It is a professional's machine – not one of those limp-wristed jobs you stick in the freezer, that seem to take forever – but a free-standing pro job that makes unimproveable ice-cream and sorbet (sherbert, to Americans), starting from scratch, in about 30 minutes. For love food, Harriet Costley is fond of knocking up strawberry or date ice cream in her Notting Hill kitchen. Cute, *hum?*

6) Coffee machine. You cannot write fiction without putting in the hours. It takes hundreds of hours of practice. Sometimes you need to rouse yourself. *I drink coffee.* There are numerous machines to chose from; I happen to like Gaggia's. Harriet Costley drinks gallons of espresso.

7) A blind to shut the world out. I find John Lewis a vexingly eccentric store. It won't do this, it won't do the other. But I like its blinds, especially the modern ones in Hockneyesque stripes and colours; and it is happy to measure and fit them.

8) Tennis club membership. Just as fiction writers must entomb themselves for hours *at a stretch so as to plumb the* creative depths, so, periodically, they must escape outside for air. A lot of hacks play tennis. So do various novelists. Like me, Martin Amis is a member of the Paddington Sports Club in London's Maida Vale, which is friendly, well managed and has plenty of courts.

A tennis membership costs £100 to join and £255 annually. Tennis and squash combined: £100 plus £300. They also have bowls. If Amis played tennis like me, he would be a happier *little fellow. If I could write* like Amis, I don't suppose I'd be here.

Fishing/Tom Fort

A bite in the beck

THE RESPONSE to my offer to provide trout for supper was, I thought, short on trust and long on scepticism. Their expressions seemed to say: "We've heard that one before. Get the chops out of the freezer." But I was quietly confident, eager to assume the role of the hunter.

It was an old-fashioned Lake District day. Rain poured from an implacable slate sky. The fell tops were invisible, the lower slopes streaked with silver torrents. Drainpipes gushed; sheep, trees, and holidaymakers dripped mournfully.

At such times you can forget the elegances of fly fishing. You need worms, and plenty of *them, in a box that will fit into* the pocket of a sound, waterproof coat. The other requirements are wellington boots, a packet of hooks, some weights, a 10ft rod with a fixed spool reel, a bag for the fish, and a sturdy indifference to the elements.

The trout of these lakeland becks are at the sharp end of life's struggle. Little food comes their way in the turbulent pools; what there is must be grabbed at once or lost for ever. A spate is their time of plenty as worms, beetles, slugs and caterpillars are washed their way. Appetites are keen and reflexes quick.

The technique is simplicity itself. The angler crouches beside the pool and lobs the weighted worm into it, seeking out the eddies and holes behind rocks. The line is held between the fingers and the reaction to the jab-jab of the bite must be instant (otherwise, it will be found that the worm has been filched or it and the hook swallowed).

Once a trout has been hooked, it must be transferred from its own sphere to the terrestrial one as soon as possible. Forget about playing it and do not encumber yourself with a net. Simply swing it out of the water over the land; then seize it, unhook it, and either knock it on the head or return it.

The technique is simple, but that is not to say it is easy. There are times when the fish will not bite at all, and others when they will bite everything except the portion of the worm containing the hook.

Most vexing of all is the amazing facility of these trout for wriggling free of the hook mid-way through the swing from water to land. Hurling yourself on your knees and clutching with bare hands at a slimy escapee is undignified and usually fruitless.

This beck fishing is also physically taxing for those accustomed to meandering southern chalk-streams. It involves much scrambling over devilishly slippery rocks, and slithering up and down spongy, sodden banks of moss. Sooner *or later, you will slide or step* into a pool deeper than your boots, and wet feet will be added to other discomforts.

In such circumstances, self-control is lost easily. I remember watching a brother fishing the best pool on this particular lakeland stream. He had insisted, against all advice, on using a soft-tipped fly rod and, as a result, lost each of the six trout he hooked. For a moment, I feared he was about to stamp on the offending implement, until – with a visible effort – he got a grip on himself.

I have had my share of such nightmares but was favoured on this recent excursion with a tolerable proportion of success amid the usual blunders and failures. The beck – it runs down not far from Ambleside, but I will give no further clue as to its location – was in perfect order. In the first decent pool, I took two nice fish. One was a full 6oz, a good specimen in this Lilliputian world. In the next pool I lost two, thanks to a pestilential overhanging branch which inhibited the landward swing.

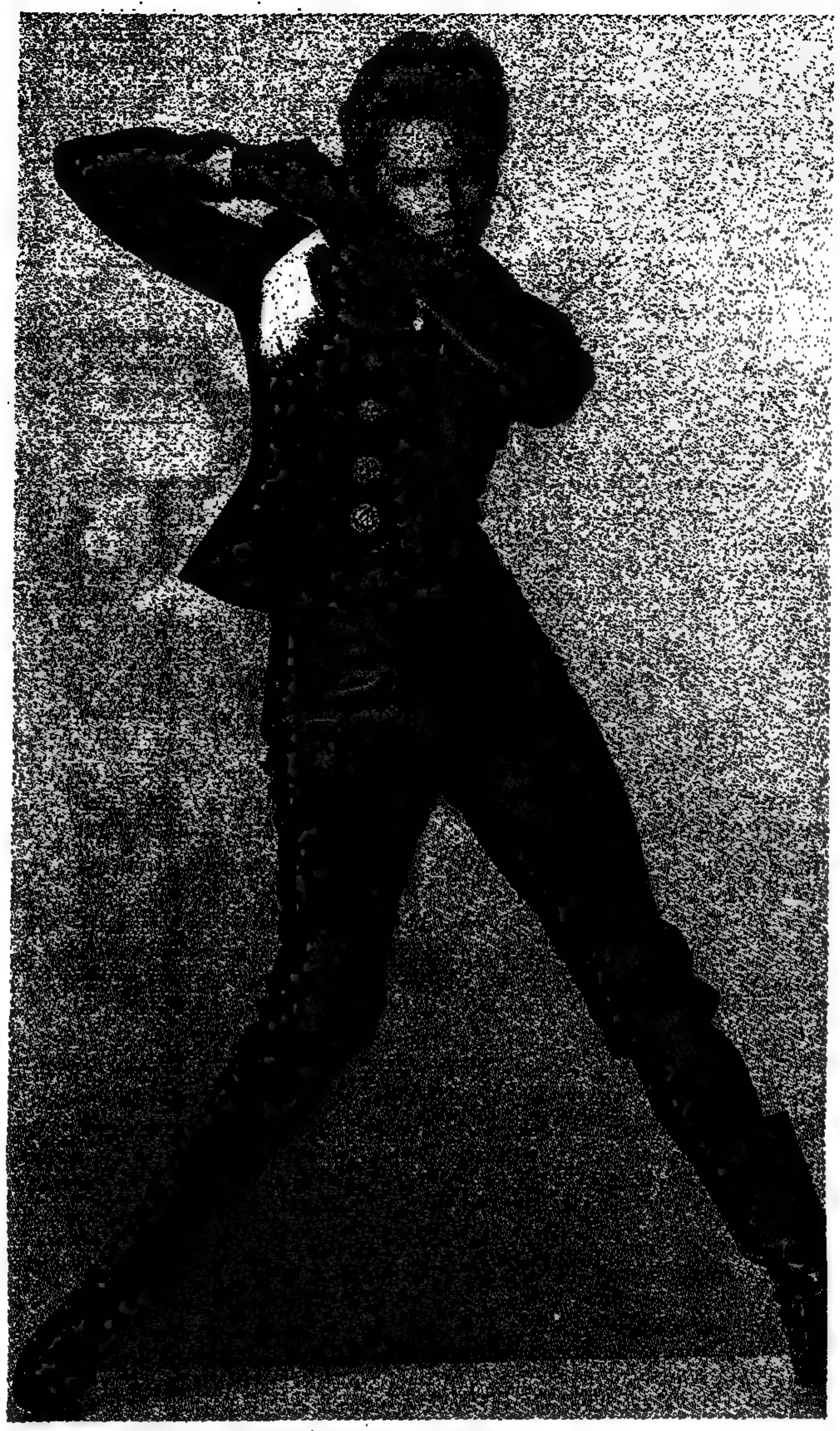
Thus was the pattern of the morning established until, having forged my way up two miles of valley, I found it wasn't morning any more. I was troubled briefly by the recollection that I had promised to be back for lunch. But I reminded myself that the chief duty of the hunter is to provide *for his dependents, rather than* to observe bourgeois conventions such as mealtimes.

I arrived back late in the afternoon with 10 trout of edible size, having put back as many more. In the event, the children and their mothers turned up their ill-educated noses at the hunter's spoils, which I shared with another brother.

Thirty years ago, when I first fished the beck, I was told by an old Ambleside angler that its trout were the sweetest-tasting in the whole of the Lake *District. I am* happy to report that they have lost nothing of that.

Women who boldly tread beyond the sex barrier

A woman in a man's suit? Ugh. But a woman in suiting cut to fit the female form . . . well that's another matter, as ***Avril Groom*** *discovers*



THE BIKER (above): stretch wool jacket (with skirt, not shown), £1,400, earrings from £150, both from Chanel. Leather jeans, £269, from Jaeger, Regent St, W1. Silk scarf, £19.95, from Fenwick.Gloves by Dents, £29.95 from Selfridges, W1 and Owen Owen. Bracelet, £38 from Agatha, South Molton St, W1. Boots, £165 from Russell and Bromley.

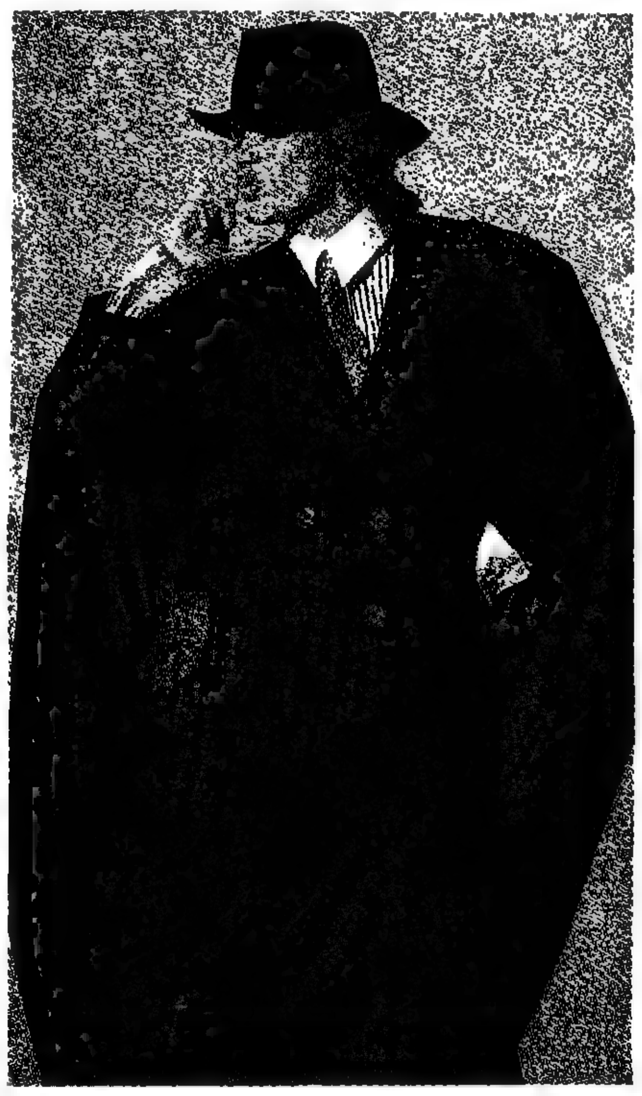
THEY stride boldly through social history in their trousers, toppers and boots. They are the great cross-dressers, women who have become famous for, among other things, recognising the indisputable fashion paradox that dressing like a man can make you more of a woman.

They are also the role-models for this autumn's definitive fashion image. As lifestyle models they are more of a problem. Some go rather too far down the path to androgyny, if the history of Vita Sackville-West is anything to go by. But cross-dressing is absolutely no indication of sexual proclivity and, as women such as Marlene Dietrich, Sarah Bernhardt and even Shakespeare's Rosalind found, it adds a heady amount of feminine allure.

Donning male-inspired garb is, of course, nothing new. In the 15th century Joan of Arc wore armour which, although her captors complained of her masculine dress, appears to have been moulded to her female figure. And, in essence, the rules have not changed since. A woman in a man's suit risks looking unattractively butch. A woman in men's suiting, cut to follow and flatter the feminine form, is another matter altogether.

The secret of success is the witty juxtaposition of items traditionally considered either a male or female preserve. Wearing pinstripe pants with lace-up brogues is far too literal; this is the first time for ages that trousers with high heels have been stylistically correct – aficionados choose a slightly chunky heel and a small platform.

Likewise, why wear a shirt and tie with your grey double-breasted jacket when you could surprise the chaps with a lace-trimmed "body"? Hair is another area for attention, the bigger, softer or more carelessly piled-up the better. But sport an Eton crop with pinstripes and your intentions could be misinterpreted. Make-up, too, is a factor – remember Liza Minelli's dark eyes peering from under her bowler in *Cabaret*. And cross-dressing need not even include trousers. The most obvious way to feminise a mannish jacket is with the new long skirt, provided it is cut sinuously tight across the hips and lengthily split for ease of movement and for a glimpse of legs that, after years of the short skirt, most women no longer feel they need to hide.



THE COUNTRY SQUIRE (below left): jacket, £389, skirt, £169, from Roland Klein, Tryon St, SW3. Waistcoat, £25 from Marks and Spencer. Shirt, £69.95 from Alexon. Sunglasses by Yves St. Laurent, £145
■ Hair: Joel O'Sullivan for Max and Co, Motcomb St, SW1; make-up: Cheryl Phelps-Gardiner.

How these juxtapositions work psychologically is explained by fashion historian Colin McDowell, whose new book *Hats* published next month (£24.95, Thames and Hudson) contains several examples of women highly glamourised by wearing men's hats. "Traditional men's dress, and especially hats, are still symbols of authority and dignity in our society," he says.

"Add that to the feminine glamour which is the basis of women's sex appeal and you pack a very powerful punch. Men's styles are usually covered up which, on a woman, is extremely sexy. Conversely, men in women's clothes lose their authority and become figures of fun."

It is tempting to ascribe serious sociological motives to 1992's rash of cross-dressing. Perhaps women wish to celebrate their increasing power in the professions by wresting the clothes from men's backs as well as the jobs from their grasp. The truth, though, is more prosaic, just another turn in the fashion cycle.

After several years of colourful near-vulgarity and clanking gilt accessories, spawned by the conspicuously consuming Eighties, what could look more perfectly new for the restrained Nineties than a plain, grey John Major-style suit? Inevitably, this is the style which designers and stores have most taken to heart. Apart from racy Marks and Spencer pinstripes, you can find this look at every level, from Kookai's budget hairline stripe polyester/viscose trouser suit at £108.99 and Alexon's birdseye check wool at £198.95, to Jaeger's sleekly-cut grey wool twill suit at £378 and Ralph Lauren's feminine, wide-trousered style at £960.

But there are many other ways to play the man's lady. Designers have let their fantasies run riot on male stereotypes from the country squire to the motorcycle courier. Take your pick but bear in mind that the final effect should always be that of a strictly female male. And if anyone tells you to walk like a man, ignore them.

■ Photographs: JOHN SWANNELL.

THE GANGSTER (left): trenchcoat, £369 from Jaeger, Regent St, W1, Brompton Rd, SW3, Cheltenham, Harrogate and Edinburgh. Wool jacket, £79.95, trousers, £45, both from Marks and Spencer. Cotton shirt, £135, silk tie, £36, both by Jasper Conran from Fenwick, Harvey Nichols, SW1 and Sogo, Piccadilly Circus, W1. Hat by Borsalino, £145 from Herbert Johnson, New Bond St, W1.

THE CITY SLICKER (below right): wool jacket by Jasper Conran, £225 from Fenwick and also available at Harvey Nichols, Selfridges, Sogo, Matches of Wimbledon and Valentina of Leicester. Wool skirt, £315 from Ralph Lauren, New Bond St, W1. Necklace, £34.50 from Butler and Wilson. Gloves by Dents, £47.50. Handbag, £149 from Fenwick.

THE DANDY: acetate/viscose tailcoat, £479, from Dickins and Jones, W1 and Frasers of Glasgow; silk blouse, £179, from Harrods, SW1 and Ambers of Amersham. Both by Louis Feraud Set. Silk waistcoat by Tom Gilbey, £99 from Fenwick, W1. Cotton brocade trousers by Selina Blow, £220 from Whistles, St.Christopher's Place, W1. Earrings, £23 from Butler and Wilson, South Molton Street, W1 and Fulham Road, SW3.

The '82 first-growth clarets

***Edmund Penning-Rowsell** assesses the vintage ten years on*

THE 1982 clarets were widely acclaimed even before the grapes reached the fermenting vats.

Emile Peynaud, the eminent Bordeaux University professor, said there is more sugar in the grapes than in any year since 1947, and comparisons were readily made with that year and the celebrated 1961.

The alcoholic strength was high, the colour exceptionally deep, and the acidity low. Definitely a Merlot year, with a record crop of 3.5m hl of red wine: nearly 1m more than in 1981.

Initially, the Bordeaux trade said there was no reason for increased *en primeur* prices but they were increased sharply. First-growths opened at FFr170 (£18.88) a bottle, ex-cellars, compared with FFr100 the year before. Merchants capitalised on the prevailing buying euphoria and resold immediately at up to FFr225.

This did not restrict demand, and speculation ran wild in the US. Typical British opening prices in bond ran from about £290 a case for Haut-Brion to £325 for Lafite, and the others fell between.

This led to a duty-paid, delivered cost to the consumer of between £340 and £385 a dozen. This was the only fairly recent vintage to date in which buying futures yielded a real profit, provided the wines were not held for long.

Accordingly, this was a special occasion for a group of six, including two Masters of Wine, which meets each year to dine and drink (not just taste) the eight first-growth clarets when ten years old. They set a standard for each vintage.

Decanted at least an hour in advance, the 1982s were served in the customary order: Haut-Brion, Margaux, Lafite, Mouton-Rothschild, Latour, Ausone, Cheval-Blanc and Pétrus.

Here, then, are my notes made at the table, followed by representative comments noted at the same time by the other five diners.

As all viewed the colours as deep, with Haut-Brion and Ausone a little less full than the others, the notes on this have been omitted. My notes are in italics.

Haut-Brion: *Austere nose that opened up beautifully in the glass. Strong, fruity, medium length in the mouth.* Distinguished wine. Nose developed meaty in the glass, very distinguished, brick, earthy taste, rather high acidity; savoury, lively nose, classic Haut-Brion taste impact, dry finish, slightly bricky, dusty nose, with good length, dry finish; blackcurranty, a bit lightweight; sweet initially, some sourness later, not much body.

Margaux: *Very closed nose initially, but much better later, edgy, peppery, seems to lack fruit and extract, needs more time.* Nose muffled at first, but soon evolved in glass, high marks, lovely crisp berry-like fruit; fleshy, opulent nose, well-mannered taste, unformed but impressive, has a long way to go, easy to under-estimate; deliciously sweet first on palate, beautifully balanced; lovely rich middle taste, good length, too young; aromatic nose, rather thin initially but richer later.

Lafite: *Fine nose, elegant, distinguished flavour, good balance but when refreshed later had lost some body.* Nose low-key at first, but developed creamy, spicy, vanilla, quite powerful, considerable extra tannin, acidity; rather dry, stalky finish, savoury nose, but can't see it developing dramatically; wonderful nose, meaty, substantial flavour, but dry in the mouth; delicious nose, candlewick, but gone down when refreshed; raffiné, thin at end.

Mouton-Rothschild: *Very closed nose, quite strong, aggressive at first, but better later. Flavour a bit dull.* Youthful for an '82, thick, biscuity nose. Massive wine, dry, full-bodied, tannic yet soft; exotic nose, very sweet palate impact, delicious tonight, but definitely leaner than Latour; still very young, dense, concentrated; huge almost Pétrus-like, sweet, Californian; lacks elegance, rich, full sweet.

Latour: *Full Pauillac nose, rich fruity wine, with a good deal behind it, but not ready, yet less backward than usual.* Touch of banana and vanilla on nose, fragrant after one hour, loads of tannin, great future; not much nose, very sweet palate entry, almost porty, first wine with perceptible tannin, backward; nose you could cut with a knife and fork, dumb, backward; unready, strong banana smell, not very enjoyable now, intense, sweet with sharpness afterwards.

Ausone: *Chocolate nose, big, round, well-balanced wine, needs time as much behind it.* Pleasant, mature nose, very sweet, medium body for an '82, dryish finish, *à point*; fruitcake nose, lovely tonight but I'd back Cheval-Blanc for the long term; sweet and succulent in mouth, the first wine really ready; cabbagy, herbal nose, more Italian than Bordeaux; slight sharpness on nose and a little neutral on taste.

Cheval-Blanc: *Fairly fruity on nose, but flavour richer than expected; nose came out of glass when refreshed, a very enjoyable wine.* Gentle, sweet, harmonious bouquet, very sweet, lovely flavour and balance, nice now; unformed nose, hint of tea, lovely sweetness at first taste, currants macerated in alcohol, very long; very rich, concentration on nose and palate; if anything slightly too ripe; very approachable wine not near its peak; strong, sweet, beguiling.

Pétrus: *Near-burgundian, rich nose, sweet taste but not a lot behind it. Is there enough acidity to keep it?* Rich, meaty, slightly malty nose, packed with fruit, virtually faultless, yet not exciting; hint of rusty nails on nose, treacle on taste, not appetising, a bit flabby; very rich and lovely length, is it too big as always?; rich, ripe and Californian; smooth, sweet, rich, lovely.

After all glasses were refreshed, the order of preference was taken: from one to eight, with the lowest total first. 1 Cheval-Blanc (11); 2 Mouton-Rothschild (18); 3 Pétrus (22); 4 Ausone (23); 5 Latour and Margaux equal (25); 7 Lafite (43); 8 Haut-Brion (48). The wines were judged on the night and, as can be seen, the first six were close together. All agreed there was not a bad bottle among the eight. As always, it must be emphasised that bottle variation may occur at this age, and only one bottle of each wine was opened.

Grand Hotels

Luxury in the old style

*In the first of a series on the world's great hotels, **Nicholas Lander** enjoys the old-fashioned opulence of the Crillon in Paris. There, with the city at his fingertips, he tries hard not to feel the pinch*

Where even the All Bran gets the two-star treatment: Restaurant Les Ambassadeurs at the Hotel de Crillon

Ashley Ashwood

THE PROSPECT of spending a weekend at the Hôtel de Crillon in Paris was beginning to interfere with my work. I wrote the hotel's name and address down on a piece of paper and put it on the corner of my desk, only allowing myself to look at it after a good day at the word processor.

I had mentioned where we were staying to the Frenchwoman responsible for the export of French food and wine to the UK. Far too sophisticated to say "Ooh la la!" she nevertheless offered me some good advice. "Pinch yourself while you are there, just to make sure it is happening to you."

But before turning to this very particular hotel's charms, let me begin with one or two negatives. Do not think of going to stay at the Crillon if you want to do some laps in the pool, burn off the calories on a jogging track or in a gymnasium. Such American-isms do not exist at the Crillon.

Nor is the Crillon for you if when you enter your bedroom you like to fling your hat and watch it disappear into a far distant corner of the bedroom. Their bedrooms and suites are extremely comfortable but constructed on the architectural principles of 18th century Paris rather than 20th century Houston.

Instead, go and stay in the Crillon for what it has offered since it was transformed in 1909 from a private house belonging to the Crillon family into an hotel for the paying public – its location, its interior and the comfort and charm it exudes. And, if you do not stay, do eat in the restaurant, Les Ambassadeurs, where the combination of a stunning dining room and the youthful partnership of General Manager, Hervé Houdré, 34, and chef Christian Constant, 38, can produce a most memorable meal.

The Crillon, on the north of the Place de la Concorde, looks out on to a magnificent slice of Parisian life. To the west is the Eiffel Tower, due south the National Assembly, and the Obelisk of Luxor behind which you can see the *bâteaux mouches* plying along the Seine. To the east the Tuileries and beyond the Musée d'Orsay and Notre- Dame.

Paris, it seems is at your fingertips even if, when you are in the Place de la Concorde, you realise that you have to share it with countless others.

The entrance and interior of the Crillon are equally impressive. In the late 18th century when the Crillon was finally finished much greater emphasis was given to the large public rooms, which were to impress by their size and splendour, than to the bedrooms, reserved for more private conquests. Today the mirrors, brass and marble brilliantly reflect the light from a string of chandeliers while a log burning fire adds a homely touch and smells more redolent of the French countryside.

Les Ambassadeurs is immediately on your right as you walk in. On our first night it looked impressive and romantic with tall white candles burning on each table; it was as dignified for breakfast on the Sunday morning in spite of the highly polished bowl of All-Bran occupying pride of place on the central buffet table.

Michelin gives the restaurant two stars, the highest rating of any hotel dining room in Paris. What is particularly exciting about the food is the confidence Christian Constant, the chef, shows in searching for, and finding, new and adventurous combinations of foods and flavours.

A crustacean lasagne with lobster butter that even looked perfect; a circular arrangement that mixed slices of firm, young potato, lobster and chives. A thick piece of cod topped with thin slices of chorizo, the spicy Spanish sausage, on a purée of flageolets and a fillet of sea bass with cous-cous, all showed a sureness of touch and a sense of style. With the desserts Constant's team show the same flair and an eagerness to experiment with geometrical forms.

There were minor quibbles - the service was not faultless and the wine list in the restaurant not quite as exciting as the food – but the overall impression the Crillon emanates is one of magnificent luxury. Some time after our return we still pinch ourselves just to remind ourselves that we did stay there.

■ *Hôtel de Crillon, 10 Place de la Concorde, 75008 Paris. Tel: 44-71-15-25. Fax 44-71-15-04. Double room from FFr2,900 (£305) a night.*

Crumbs of discomfort

***Nicholas Lander** finds that life can be tough in a French bakery*

AT 7 am, the village baker's daughter opened the doors to me, her first customer. On my way out I bumped into the mayor, who pumped my hand like a good politician and bemoaned the fact that the bar owner had overslept and he would have to wait for that day's *Midi Libre*.

Along the main road came the baker's apprentice, on his shoulder a large, brown plastic container with 80 assorted *baguettes, ficelles* and *pains de campagne* fresh from the oven. While I strolled back, he ran, so that five minutes' later, as I walked past the baker's *laboratoire* (all French artisans, even butchers, give their units of production this name), he was busy loading the oven again.

The following Tuesday at 12.30 am, the 19-year-old apprentice, now known to me as Yannek, opened the *laboratoire* door to me, his assistant for the night. His boss had not yet arrived. And so began an Englishman's involvement in supplying a French village with its staple food.

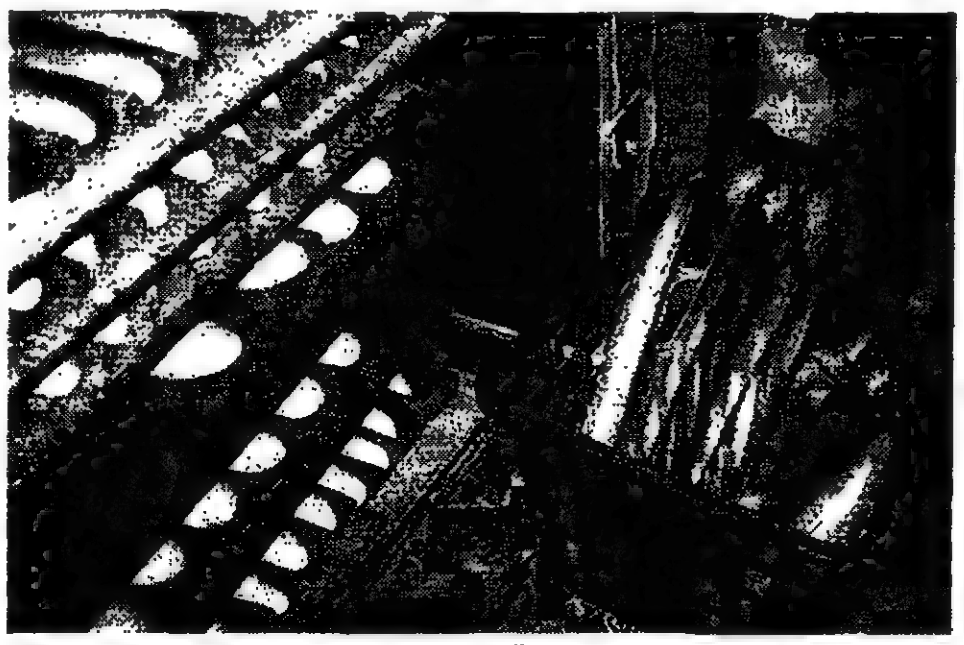
The first task was to calculate the quantities. In a small village of 600, consumption is constant, and a look at the previous Tuesday's sales gave the totals for tonight's production: 70 long and 48 short loaves; 130 *baguettes;* six *pains de campagne;* four other different types of loaf, including one without salt and one wholemeal (French bakers are finally adding various types of brown bread to their range); plus 3.5 kg of *croissants, pains au chocolat* and *pains aux raisins*.

Just after 1 am the baker arrived, complaining of the heat. Stripped to the waist, he and Yannek took yeast from yesterday's production – the crucial element, according to the baker – plus salt, water and flour and, with the aid of an enormous 40-year-old mixing bowl, made the dough.

The flour, which came from a nearby mill in 50 kg sacks, contained 1 per cent *farine de feves:* broad bean flour which ensures that the dough (and, therefore, the bread) emerged white rather than grey. The mass of dough was dug out into 11 kilo balls which would each make 20 loaves. Then, to the shout of "*On attague,*" the dough was cut mechanically and thrown into what looked like an old-fashioned mangle. It emerged in the shape of embryonic *baguettes*, which were laid on trays to wait for the fermentation to bring them up to their proper size.

The activity brought a healthy glow to the baker and his assistant. In the baker's case, it was enhanced by numerous cups of chicory-flavoured coffee laced with rum and a packet of Gitaines Mais.

His immediate complaint was the lack of a family holiday this summer because of the recession, although he and his wife were concerned for their only son, enlisted recently in the army and possibly en route to Yugoslavia. Professionally, he complained that the French were buying less and less bread. He predicted that supermarkets would soon ring the death knell for most village bakers.



Crust to crust: the output from the baker's apprentice

When I asked him if he made a living, he shrugged his shoulders. The shop provided a flat and income for the family; but when the annual increase in the price of bread was passed by the French government, it was greeted by his customers with howls of protest.

The only time his eyes lit up was at the mention of the Spanish and Portuguese grapepickers, who would soon invade the area during the September harvest. They, at least, are still great bread-eaters.

At 3 am, the oil-fired oven was lit and the peace of the night shattered; it would reach its optimum temperature at 4.30. Until then, the baker retreated into a small kitchen and made his patisserie – apple, peach or plum tarts, Paris-Brest or the local speciality, *fougasse* – which, he assured me, was a more remunerative occupation than baking bread.

This finished at 4.30 and, with the oven at its correct temperature, the baker and his assistant went upstairs to sleep.

Just before 6, the vital incisions were made in the tops of the *baguettes* and the oven loaded with the first 120 loaves. The trays of *croissants* were given a final brush of butter and slid into a convection oven. By 6.25, as the dawn broke, the air was filled with aromas of baking bread.

The baker slid the first lot from at 6.40 but he was not too happy. He complained that the cold northerly wind had slowed the fermentation and that Yannek had allowed the oven to get too hot. He threw me the first loaf, which I very nearly dropped. Although I have worked in commercial kitchens, this was the hottest thing I had ever held.

As Yannek carried the first container up to the shop, two workmen called in for their *pains au chocolat*. Then the baker turned his attention back to the oven and, pleased to have an audience for once, shouted: "Now, watch an expert" as he begun to load his oven with more loaves.

Cheaper bubbly

THE PROSPECTS of cheaper champagne have been enhanced by a sharp, unprecedented cut in the officially recommended price of grapes in the large vintage now in progress, writes Edmund Penning-Rowsell.

They are down from FFr30 to FFr24 a kilo for those from the top-rating villages to FFr19.1 for the outlying ones.

Although the lower prices will take some time to work through the blends, this is accompanied by a quality-raising elimination of the inferior third pressing and a reduction in the maximum quantity of grapes permitted per hectare, plus a blocking of surplus still wines to prevent excess sparkling wine production from a vintage that may yield at least 250 million bottles – 20 per cent more than estimated sales this year.

Cookery/**Philippa Davenport**

If it's September, it must be onions

THE SIGHT of button onions and courgettes galore in the shops and markets is a sure sign that September is here. The other thing that unites these otherwise disparate ingredients is that each can be absolutely delicious or remarkably nasty, depending on the mercy of the cook.

Just to think about pickled onions, sozzled brutally with vinegar, sets my teeth on edge. On the other hand, the gluttonous memory of a dish of buttery, glazed onions served with a leg of lamb last Sunday sets the saliva sprinting.

Overgrown courgettes lack finesse. I would rather have good, honest marrow. Miniature courgettes are as bad as bloated big ones. I have only bought dwarf courgettes once – and that was once too often.

Did I strike unlucky with a particularly unfortunate batch or are they always tasteless, bordering on unpleasant? The price of the dwarf offerings from Thailand also was hard to swallow.

Smallish, youthful and very fresh courgettes are the only truly desirable sort. Ideally, they should be picked so recently that they come complete with flowers at their tips blooming brightly. Then, you can enjoy a double treat.

GLAZED ONIONS WITH CINNAMON
(serves 5-6)

Apart from the chore of peeling, this is quick and easy. It is excellent with grilled chicken, chops and steaks, roasted meats and game birds. Unless you hand-pick each onion when shopping, it is best to buy 2lb or so. That way, all the onions used for this recipe can be more or less uniform in size; save the runts and the fatties for other dishes.

Ingredients: 1½ lb pickling onions; scant 1½ oz unsalted or clarified butter; 1 slightly heaped teaspoon of sugar; a pinch of ground cinnamon (or freshly grated nutmeg or chopped parsley for serving).

Method: Peel the onions and choose a heavy-based pan or flameproof casserole into which they will fit, as near as possible, in a single layer.

Heat the pot and melt the butter in it. Add the onions and turn them to coat all over with fat. Sprinkle on the sugar, stir again, and cook half-covered over moderate to low heat (for 15-20 minutes depending on the size of the onions) until tender, streaked with gold and caramelised here and there.

Stir the onions occasionally as they cook. (Turn the heat right down, or cover the pan completely, if they are browning too fast or if too much moisture is being lost).

Onions cooked this way can be kept hot for some while without spoiling. Season and dust with cinnamon (or nutmeg or parsley) just before serving.

COURGETTES FRIED WITH THEIR FLOWERS
(serves 4)

Life is too short to stuff a flower. Nor do I bother to dip courgette flowers in batter before frying. Simply dusting them with well-seasoned flour seems to me as much embellishment as they need.

Ingredients: 8 small courgettes complete with their flowers (plus extra courgette flowers if available); a few black olives (preferably tiny ones from Provence); half a lemon; the leaves stripped from a sprig or two of thyme (preferably lemon thyme); a little chopped parsley; olive oil; a little well-seasoned flour.

Method: Separate the flowers from the vegetables and slice the courgettes. Check that the flowers are clean and cut each one down its entire length on one side, from the tip of the petal to the juicy, thick base. Remove the pistil, fan the flower open so it lies flat and cut into two or three pieces.

Sauté the sliced courgettes until just tender in a hot pan barely filmed with oil. Do not cook them so long that the skins lose their fresh green colour. Transfer them to a shallow serving dish. Add the olives, herbs, citrus zest, a pinch of salt and a squeeze of lemon juice. Toss to mix and keep hot in a low oven.

Quickly add extra oil to the pan – to about a quarter-inch deep. Dust the flowers with well-seasoned flour and fry them very briefly so they become wafery crisp, yet retain their lime green and gold colouring. Drain the flowers well, arrange them in a garland around the courgettes and serve straight away.

TRAVEL

In Ceausescu's broken footsteps

*Romania is free, but **David Pilling** finds it is still a depressing place to visit or live in*

BUCHAREST is in a bad way. The Intercontinental Hotel has no coffee and many restaurants have little or no food. Buildings in the centre of town, many of them once quite handsome, are coated in thick grime. Some are peppered with bullet holes. The city smells of cabbage and cheap tobacco.

My taxi driver, on the way into town from the airport, told me that things were better now. I was glad I had not come before. He said he was now free to travel abroad, only he had no money with which to do so.

He could say what he wanted now. He said "Ceausescu" and made an obscene gesture, removing both hands from the steering wheel and causing the cab to veer alarmingly in the near-deserted road. Bucharest boasts very few private vehicles. Indeed, it has very little to boast about at all.

I might have guessed things were going to be bad in Romania as early as Stansted airport. "You're flight is due to leave on time, sir," the check in girl gushed, as though this were an achievement. I was flying with Romania's national airline, Tarom.

The aircraft did not leave on time. It left two hours late, but I was amazed it got off the ground at all. The inside of the aircraft was kitted out like a troop carrier, with seat coverings of coarse green material and stewardesses who looked so miserable I later decided they must have sampled some of the inflight food.

My knees were somewhere near my chin for the duration of the flight, but I felt privileged to have a seat belt. Many adjacent seats were not so well equipped.

The fun really began at Bucharest airport with a mad scramble to push through customs. Later, I wondered why everyone was so keen to get in.

I tried to change $100 at the airport bank. The clerk, a dishevelled man in his forties with an unkempt moustache and greying sideburns that seemed to sprout from his ears, thrust the note back at me and told me I would not need to change more than $20.

I tried to convert the sum he had suggested but he lost interest, telling me to change my money in town where I could get a better rate. His friend, the taxi driver, would take me into the centre for $5.

The driver assumed I was Russian at first. *"Gavareesh pa Rusky?"* he kept growling in an insinuating sort of way. I finally convinced him that I spoke English, a language over which he held about the same command as I do over Russian.

Nevertheless, when someone wants to tell you something, they generally find a way. On the approach to Bucharest the driver pointed to a statue of Lenin. All that remained was a pair of boots, standing surrealistically on a concrete podium. The driver wheezed and chortled hysterically.

"Rooshian army," he said later, indicating a now-derelict strip of land where barracks must once have stood. He found this highly amusing too. His passing shot was to drive by the great residence Ceausescu had built for himself, a chalk-white edifice with Greek pillars and, according to my guide, 5,000 rooms.

The driver said the buildings around were erected in such a way that, from the air, they spelled out Ceausescu's name. Many parts of Bucharest were bulldozed to make way for the late dictator's fanatical construction plans.

I checked into a musty hotel and set out in search of food. Street lights go off at about 9.30pm to save power, so I spent the evening wandering around the dim and derelict streets looking for a restaurant prepared to cook me a meal.

A guide book from pre-revolution days directed me to a place where I could get "great food" for 40 lei. One of the several waitresses – there were no diners – ushered me into the kitchen with tremendous excitement. There I was treated to the sight of a fat women in a greasy apron waving a gristly piece of sausage about as though it were a pools-winner's cheque. I tried to look enthusiastic and ordered a plate, a treat that set me back 400 lei and sent me to the Intercontinental for all subsequent meals.

My next day I spent "sightseeing." I wandered down the city's fine boulevards. I found a couple of tiny but richly decorated churches. I visited some department stores where I discovered why nearly everyone appeared to have bought their clothes at a 1970s jumble sale.

I sat in some of the city's fine parks, still beautifully maintained in spite of everything. I went to the main railway station where a man with a toasted-sandwich maker was doing a roaring trade. I tried to visit the art gallery, but it was closed. I visited a pizzeria. Unfortunately it was open. After one bite of its fare I dashed back to the Intercontinental.

The next day I met a young doctor and her boyfriend. Things were awful, they said. Life, they had no doubt, would get better now that Ceausescu had gone, but change would not come soon enough for them.

The girl said she would go to Sweden and find someone to marry her. Her boyfriend did not look too hurt, such being the decisions Romanians must make if they are to get on in the world. As a doctor she earned $50 a month, more or less what my visa for Romania had cost me. She spoke Romanian, English, French and a smattering of Swedish. She had never been abroad.

My plane lifted off the tarmac a few days later for my return to London. Unfortunately my luggage was not so blessed and had to be bundled on to another Tarom flight to catch up with me 24 hours after. My rucksack has thus spent longer in Romania than I have. I plan to take it somewhere sunny as soon as possible.

A safari that ends on the beach

***Richard Gilbert** divides his Kenyan holiday between the luxurious game lodges of Tsavo and the Indian Ocean*

Glyn Genin

THE DELICATELY laundered white mosquito net around my bed made the room look like a bridal suite. I ordered a beer. As I quenched a thirst brought on by a morning game drive in the bush, I glanced through the window and counted eight zebra, five water-buck and nine elephants heading towards a water-hole. It was early February in Kenya's Tsavo national park and the temperature had not dropped below 95° Fahrenheit all day.

Tsavo, halfway between Mombasa and Nairobi, is the largest game sanctuary in East Africa. Thirty-six hours earlier we had struggled through fog to Gatwick; now we were outbidding each other with sightings of exotic animals.

This was my first two-centre holiday – a week divided between the comforts of an Indian Ocean beach hotel outside Mombasa and game rides into the bush of Tsavo and the Taita Hills private game sanctuary.

Seven of us climbed on to a safari mini-bus for a game drive to Salt Lick Lodge, a sanctuary in the Taita Hills that was once a sisal plantation. The success of any game drive depends largely on the skills, prescience and character of the driver-guide. With Hamid, we were lucky.

Off the Mombasa-Nairobi highway, Hamid turned the zebra-striped Nissan down red dirt tracks surrounded by thorn scrub and short grass. He could interpret the significance of a lump of animal dung or a patch of smoothed-down grass with tremendous skill. Following trails and tracks, we saw giraffes, gazelles, zebra, dikdik and exotic birds that would have driven twitchers into a frenzy.

The game park lodges for overnight accommodation are a misnomer, having less to do with Karen Blixen than with Conrad Hilton. Indeed, Salt Lick Safari Lodge in Taita Hills is owned by Hilton. Built around a natural salt lick, the clusters of rooms are on pillars to let the animals wander freely underneath the lodge.

At dawn we set off north for Tsavo, once notorious for man-eating lions and more recently for the Somali poachers who have plundered the black rhino population.

Just when you think the views are unsurpassable, you reach Voi Lodge in Tsavo East. Built on an escarpment, the lodge overlooks a remarkable series of linked water holes. From my room I watched the gigantic amphitheatre fill with dozens of elephants, their hides rusted from rolling in the red earth around the water holes.

Waking at first light the following day, I disentangled myself from the mosquito net and watched the continuing parade of wildlife, headed this time by water buffalo and ostriches. The morning was still cool; the scent of wild flowers filled the lodge.

The last lap of the safari took us to Tsavo West national park, with a detour past Mzima Springs from where millions of gallons of crystal water are piped daily to Mombasa. This oasis, surrounded by a valley of arid lava, is a haven for hippos.

On the rough track to Ngulia Lodge, an inspired diversion by Hamid took us to a pride of lions in a broad patch of long grass. Two new-born cubs romped with elder members of the family; then, seeking a feed, they were gently cuffed away by a lioness.

Ngulia Lodge, in Tsavo West, is a mecca for migrating birds. The lights of the isolated lodge attract hundreds of species, and there is a roll-call of rare visitors. Madagascar bee-eaters, penduline tits, hammerkops, wheatears, warblers and waders are all regulars, together with a species bearing the memorable name of "red-cheeked cordon bleu".

Four days of safari are rewarded with a long weekend of relaxation at Safari Beach hotel outside Mombasa. How safe is a safari holiday?

The sudden spate of attacks on tourists in the Masai Mara, east of Tsavo, earlier this year was unprecedented for Kenya and led to increased security. Operators are insisting on a minimum of two vehicles travelling together on particular game drives in the Mara's remoter areas. But travellers to Tsavo – unlike the Mara, Tsavo is controlled by the Kenya Wildlife Service – have faced no difficulties. Kenya is still safer than Key West.

■ *Richard Gilbert travelled with Portland Holidays, whose "Portrait of Kenya" combined safari and beach holidays start at £659 per person for a week (from November 1). The cost for 10 nights' beach plus four days' safari is around £828 per person (again, from Nov 1). Address: 218 Great Portland St, London W1N 5HG, tel: 071-388-5111, or 1 Portland St, Manchester M1 3BJ, tel: 061-228-1188.*

Hard ride to Hanoi

***Mark Hodson** forsook comfort on a ride through Vietnam*

AT THE railway station in Hue, about 700 miles north of Saigon, an embarrassed official explained how the Vietnamese government set its ticket prices. It was fairly simple: tourists pay four times as much as locals.

The young man fiddled with the buttons on his uniform and adjusted the oversized cap which kept slipping over his eyes. "I am very sorry," he said. "It is the rule for foreigners."

I had wanted to book a ticket for the 430-mile journey north to Hanoi and was faced with an array of options. There were soft seats, hard seats, soft sleepers and hard sleepers, slow trains, express trains and *rapide* trains. The prices set for tourists were scrawled on a blackboard in the office, and the figures looked like the national debts of various South American countries.

I decided finally on a hard sleeper (middle berth) on Saturday's express which would cost 419,000 dong, a little more than £20.

Four days later, armed with a bunch of bananas and a bag of chicken pâté sandwiches, I walked back to the station to catch my train. It was the start of a long journey. Between Saigon and Hanoi there is just a single track on which every train runs, whether it is going north or south.

At suitable points on the route, small sidings have been built where one train can wait while another passes. In theory, this is not such a problem. Local trains make way for express trains, express trains make way for *rapide* trains and all three make way for the occasional water buffalo that ambles on to the track.

In practice, there are problems. A single hold-up can mean every other train down the line waiting in their various sidings, so that a single piece of worn-out rolling stock or one set of jammed points can cause a delay that echoes throughout the 1,600 miles of the Vietnamese rail network.

My berth was basic, to say the least. The hard sleepers turned out to be planks of wood, six of which were wedged three deep into a compartment measuring about 5ft by 7ft. The shutter was broken and the window jammed open. Above my head, about 9in from my left ear, was a loudspeaker that announced every town and village along the route.

I was sharing with a Swedish law student whom I had met in Saigon, a Vietnamese couple, two French women and a mouse. We were each issued with a thin pillow and a musty blanket about the size of a large hand-towel. As darkness fell and we clattered north past mountains covered with forest, the temperature dropped sharply. The cold was numbing.

I suppose I must have slept for a while because I remember being woken at Vinh, a bleak grimy city about half-way to Hanoi. Women walked up and down the track selling hard-boiled eggs balanced in baskets on their heads. Children in rags stared open-mouthed into our compartment.

As dawn broke, we heaved up the shutter to find the landscape transformed. The mountains had given way to mile after mile of rice fields swathed in early-morning mist. Women working the fields – bent double and up to their thighs in cold mud – stopped and waved as we passed. As far as the eye could see there were houses ripped open by falling bombs and, more than 17 years after the Vietnam war, still not rebuilt.

In our compartment, tentative conversations were started. The Vietnamese woman said she was training to be a doctor in eastern Germany; her husband was making the journey to Hanoi just to see her on to the aircraft.

As we pulled into Hanoi, we folded away the planks and passed around the last of the bananas. The train came to a halt, the door was thrown open and for several seconds we stood still, smiling and saying our goodbyes. It was good to have arrived but somehow it seemed too soon to leave each other. Then, without another word, we picked up our bags, stepped on to the platform and went our separate ways.

PROPERTY

Prudent Welsh look to recovery

***David Hoppitt** discovers that confidence is coming back despite the death of the mining industry*

On offer – the Llwynderw Hall estate at Abergweeyn, Powys: 14 bedrooms and 1,150 acres, through Knight Frank & Rutley and Savills in Hereford

WALES is a blest country. Anyone depressed by urban sprawl and dwindling wildlife needs only to stride along Offa's Dyke and over the Black Mountains to restore their spirits. The dyke, built at the end of the 8th century, was intended to contain troublesome Welsh princes rather than stop the English drifting across the border.

Wales (and Anglesey, in particular) is as old as the world itself, the pre-Cambrian rocks there having formed as the molten earth began to cool some 3,000m years ago. In the south, inland from the rugged Pembrokeshire coast at Mynydd Prescelly, the great blocks of granite that form Stonehenge were quarried.

Small wonder that Wales is a country of strange legends and tradition, folklore mingled with fact. Castles and strange place names abound.

Only a few years ago, when coal mining was in its terminal stages, property was among the cheapest in Europe. In 1984, I found Britain's cheapest house in a village named Cwmbach (bach meaning small and cwm meaning valley). The mid-terrace Victorian cottage, with a new roof, was offered for just £800 (no, I haven't left off a nought). After I wrote about it, hundreds of people headed for the village clutching chequebooks. Five years later, the same house would have cost at least £8,000.

Cheap property can be found again now, but only where changing fortunes have caused repossessions. "The situation in other parts of the United Kingdom is terrible. We are vastly better off here, largely because Welsh lenders have been very much more prudent than most of their English counterparts," says John Mitchell, chief executive of the Principality building society.

Although house prices fell after 1989, the drop was not so great as in other areas, largely because Wales avoids the peaks and troughs of the Home Counties' market. Mitchell actually sees the beginning of a recovery in the Welsh market; indeed, sales through the society's estate agency arm have increased both in 1991 and this year.

"Falling house prices have damaged confidence; affordability is not the problem here," he says. But he adds: "As long as the stock of unsold properties decreases, the prospect of a housing market recovery in Wales looks more optimistic than for many other areas."

People seem to have come to terms with the death of coal mining; Sony, the Japanese electronics giant, now employs some 3,000 people at Bridgend, which is more than work in the remaining four pits. Soon, there will be just one working mine in the entire principality.

There is a feeling of growing confidence in Wales, exemplified by the national garden festival near Ebbw Vale that ends early next month. "The festival has been a triumph – local people have petitioned for the park to remain," says Alan Nicol, project director of the Welsh Development Agency. *In fact, 70 acres of the park **will** be retained;* some 500 homes and 3,500 sq ft of business and industrial space will be built alongside. The three energy-efficient houses constructed specially for the festival will soon be sold, and a number of sites have been reserved to encourage self-build projects.

Christopher Heath, of Custom Homes, the Redhill (Surrey) company that built the largest of the three houses, says: "There has been tremendous interest in the self-build plots; already, 12 have been reserved at prices starting at £25,000." He talks of "lifting this former blighted area into a place that will provide perfect living and working conditions."

In addition, the Welsh Development Agency has a £25m annual programme to promote large-scale regeneration projects, working with local authorities. Present schemes, creating and safeguarding thousands of jobs, are at Llanelli, Merthyr Tydfil, Barry, *Holyhead and Cynon Valley.*

Mitchell says new homes in the valleys always sell well because the housing stock in Wales is predominantly old. But F. Carey Jones, of Crown, part of the Royal Life group, adds that while there was a noticeable rush for exchanges and completions to beat the August deadline on stamp duty, especially among first-time buyers, the market for more expensive houses in the £160,000-plus bracket is very slow.

Graham Adnitt, of Jackson-Stops & Staff, says: "Understandably, vendors are reluctant to bring their houses on to the market until conditions improve; consequently, when a house of genuine quality is offered, there is still a real response, proving that there are buyers about."

The firm is selling the listed Old Rectory at Cerrigydrudion, near Corwen, a Grade II Georgian house with a guide price of £195,000; already, there has been a flurry of inquiries.

Swetenhams, which has some mouth-watering country and seaside property on the books, is offering some cheaper properties as well. An end of terrace one-bedroom cottage in Llandudno, with views of the estuary and castle, can be bought for £37,500.

If a holiday foothold is all that is required, the Holiday Property Bond – approaching its 10th birthday – has added to its wide portfolio of properties with St Bride's Castle, on the Pembrokeshire coast not far from the delightful St David's. The minimum investment is £2,000, but most families put around £4,000 into the fund. Of all the HPB's 500-plus holiday homes, however, flats in this dramatic castle are proving to be among the most popular. Elsewhere in Wales, the second-home market has gone very quiet; Humberts says the only homes selling for holiday occupation are those that need major restoration.

Prices around Wales vary enor*mously but Peter Alan, of Principali*ty's estate agency arm, gives guide prices in two key areas – although he stresses that the figures given are "minima." In Cardiff, a two-bedroomed terrace is £20,950; a three-bed semi £31,950; a four-bed detached £69,950; and a country house with paddock £185,000. Comparative figures for Swansea are £19,950, £24,000, £55,000 and £145,000.

SPORT AND MOTORING

Cricket/**Teresa McLean**

Essex man triumphant

Team player: John Stephenson flourished for Essex in the absence of Gooch and Salim Malik

I MEAN no insult to Essex if I say that in some ways the bottom of this year's Britannic Assurance Championship is more interesting than the top. It is more surprising. Whereas most people expected Essex to repeat last year's success and emerge as county champions, few expected Durham to fail as resoundingly as they have done in their opening season as a first class county.

Durham entered the fray full of sound and fury, signifying everything from the neglected north to the ageing celebrity. They have ended the season in last place, winners of only two of their 22 games. With many players recruited from other counties, Durham will need a lot of practice before they work well as a team. David Graveney has not found it easy to lead the pugnacious Australian, Dean Jones, Ian Botham and Wayne Larkins, once muscleman of Northamptonshire's batting, in harmony with Durham's other acquisitions and with its young hopefuls, such as batsmen Stewart Hutton and John Glendenen.

Hutton and Glendenen notwithstanding, Durham scored fewer batting points than any other county. Their bowling lacked speed and suffered from a surfeit of tired medium pace. Durham's lovely grounds, such as the University one, under the cathedral's majestic eye, will doubtless produce lovely county cricket as they grow into true county grounds. In the meantime it is hard not to feel a twinge of hope that local talent will play a stronger part next year, in preference to all Durham's famous refugees.

It would be unrealistic to pretend that county cricket is anything other than an exchange market nowadays. With Yorkshire going the way of all others, the home grown has lost its last battle with the free range. But that does not mean that the market system is unquestionably the most profitable one. This season has shown the value of a stable element, or at least the danger of always preferring innovation to stability.

At Chelmsford they are in no doubt that staying power and steady leadership are crucial. "Cricket is like an elongated game of chess," a club spokesman told me with satisfaction, trying to pick out one strength above another in the abundance of Essex's riches. "It's not like football, all over in a couple of hours. There's much more for a captain to do: boosting morale, making tactical decisions, making plans. The captain leads the team. We keep ours a long time – Graham Gooch now; Keith Fletcher for 12 years before him."

Essex have a tradition of loyalty from their players and boast of the way foreign signings, even potentially difficult ones like Salim Malik last year, come back for another spell. Chelmsford, Ilford, Southend and Colchester do not nourish prima donnas. Essex's recent triumph in the county championship continues to boost their confidence, which improves their play.

Essex's loss of their best batsmen, Gooch and Salim, to the Anglo-Pakistani battlefield did not have a purely negative effect. "It's been more of a team effort this year." Team effort has been a key to this year's county championship. John Stephenson has flourished with the bat. Although Essex's highest bowler in the averages is only 17th (Derek Pringle), they have kept each other going. Peter Such, 19th in the averages, is taking over from veteran off-spinner John Childs as one of the team's assets.

Several other counties have done well with their slow bowlers. Hampshire have used Shaun Udal's off-spin cleverly. The same is true of Sussex with Ian Salisbury's leg-spin and Kent with Richard Davis's slow left-armers, with which he has taken 74 wickets. Now Somerset have nabbed Mushtaq Ahmed, Pakistan's globular and aerodynamic wrist spinner, as their 1993 foreign signing. Mushtaq is a welcome acquisition, a symbol of encouragement for spinners and those who relish their arts.

Spin is one of the tools Leicestershire did not use in their recovery this year. They are an outstanding example of the sort of team effort Essex value so highly. Talent, in the person of Phil DeFreitas, David Gower and Chris Lewis deserted Leicestershire. Not surprisingly, spirits fell. The appointment of Australia's Bobby Simpson as cricket manager and resident tough guy in 1989 was a mistake. When he left last season, Leicestershire were next to bottom. This season they are eighth. Jackie Birkenshaw has replaced Simpson. Their captain Nigel Briers has led from the front, building solid opening partnerships with Tim Boon. What Boon and Briers have done to help improve Leicestershire after a strained period, Alan Fordham and Nigel Felton have done for Northamptonshire, up from tenth to third.

This has been a prosperous year for journeyman counties like these, which lack stars but work hard with what they've got. If the arrival of four-day cricket has had any effect, I'm afraid it has slowed the game down even more and this has suited counties working their way along, with everyone making a small contribution.

Only Derbyshire, ever individualistic, have used their fiery talent to blaze their own way, on and off, to another good year. Ian Bishop has joined Devon Malcolm and Dominic Cork in that county rarity: a real pace attack. Kim Barnett and the county's new Tigger, Chris Adams, have batted with flair and occasional brilliance. Were Derbyshire to develop a new, alien virtue of steadiness, they would soon be the best county in England. But one of the Derbyshire's qualities is that you never know. Nor do they.

Rugby Union/**John Hopkins**

The revolution reaches Dursley

YEARS AGO, I played a few games of rugby for Dursley, the town where I grew up, halfway between Cheltenham and Bristol.

My brother appeared for the first team. I struggled into the seconds when no one was looking and you get an idea of how improbable, though enjoyable, it must have been when I say that I played both hooker and full back, not to mention positions in between, in my dizzy spell in the colours of Dursley.

Then, as now, Gloucestershire was a hotbed of rugby. Bristol and Gloucester were as friendly as rival politicians and the Forest of Dean and Lydney were places you went to only with a police guard. A middle level existed for teams such as Stroud. And then you came down to the Dursleys of this world. It was pretty coarse rugby even though we did not have to carry the posts out on to the pitch to play.

The changing rooms were in the local Memorial Hall which was not a hall at all but a glorified tin shed on the edge of the pitch. We did not have a headquarters. A local publican, who was Welsh and, ergo, interested in rugby, used to look after us.

At this time kicking to touch was allowed from anywhere on the field. As a result play was a lot less open. The peel had become fashionable. Forwards, the donkeys, were beginning to be expected to do more than jump at a line-out and shove at a scrum. At Dursley, tactics were mentioned and ploys thought up even though we were not well equipped to bring them off. We were true amateurs, teachers, scientists, farmers, men for whom rugby was a relaxation to be played on Saturday afternoons and it was not taken very seriously.

All this came back to me last week when I spoke to John Darlaston, the secretary of Dursley, to find out what preparations had been made for the new season and how it had begun.

"The big change lately has been that we rebuilt our changing rooms and club room during the summer," he said. "We did it using our own labour for little more than £20,000. We get sponsored to the tune of £6,000 or £7,000 each year and we need to have somewhere to entertain them."

Sponsors were unheard of in my day and the only entertaining that went on was when Fred Wilcox told his agricultural jokes.

Dursley run four teams and have about 75 playing members. "We even managed to lend the opposition nine players for a fourth team game last season," said Darlaston.

Then he said something that really brought home the difference between then and now: "Training began in the fourth week of June. We've been at it two nights a week ever since." From what I remember, training was fairly haphazard. Actually, from what I remember training was non existent. Mine certainly was. I cannot remember ever doing any. Perhaps that is why I did not play very often.

Wherever you look in rugby, the talk is of leagues. Heineken have just paid £2.1m to the Welsh Rugby Union to sponsor the leagues in Wales for three more years and the leagues in England receive a similar sum from Courage. League rugby, as opposed to rugby league, is crucial for the Harlequins and Baths of this world but even at Dursley's level it has considerable significance.

"We hope to move up from the third division of the Gloucestershire League to the second division this season," said Darlaston. "We almost did it last year. The top four went up. We finished fifth only because we couldn't honour our match fixture against Cainscross."

Bob Dwyer, the coach of Australia, has said he thinks the new ruck and maul laws are making the game a combination of rugby league and basketball. That was not a consideration down in Gloucestershire. "The lads were a bit shocked when they watched the All Blacks push the South Africans back 40 yards and then not get the put-in at the ensuing scrum," said Darlaston. "But they are not so concerned about the law itself. They don't think that at our level it is going to make much difference."

Dursley in the third division. Who'd have thought it? They have made an inauspicious start to this, their 40th season, losing two of their first three games. It has been difficult for their captain, Sid Smith, who was injured in pre-season training.

"It is a bit tricky trying to generate some fire in the lads from the touch line," said Smith, a hooker turned back-row forward.

Good luck to Dursley, particularly this afternoon when they play Imperial Tobacco from Bristol in the first round of the Provincial Cup, south west region 2. I remember my time as a paying and playing member with affection. Those days long before the breathalyser were happy times – Fred Wilcox's jokes and all.

Motoring

Treats to tempt the guilty speedoholic

Stuart Marshall tries out four very different fast cars

IT IS MOST unfair. I am like an overweight chocoholic trying to kick the habit whose friends keep bringing gift boxes of sinfully fattening hard and soft centres.

My problem is fast cars. Deep down, I disapprove of the kind that sacrifice the qualities which sensible motorists seek, simply to achieve performance that is unusable legally and indefensible socially on public roads.

But what happens when I am invited to drive one? I give in as easily as a chocoholic who yearns to be slim but cannot resist just one more praline.

Four fast cars, all quite different, have been my recent undoing: a Porsche 911 Carrera 2 cabriolet; an AC Mark IV Lightweight; a Subaru SVX and a BMW M5.

The Porsche, in an eye-catching emerald green with matching leather interior, was a Turbo-look limited edition. It had the Turbo's wide wheels and tyres, brakes and suspension but a normal 3.3-litre, air-cooled, flat-six engine producing 250 horsepower against the real thing's 320.

I have to say that 250 horsepower – and masses of torque (or pulling power) from only 2,000 rpm – seemed more than enough. Most of the time I had the car, it rained. It is imprudent to take liberties with 911s on wet roads but, driven with conditions in mind, the Turbo-look did not put a foot wrong.

The engine pulled so well low down the speed range that town driving was never fraught. On the open road, a gently depressed right foot in fourth or fifth gave vigorous acceleration. The effect of a prod on the pedal in second or third was like pulling a trigger.

At £67,689, I rated the Turbo-look 911 Cabrio a lovely toy for the wealthy and self-indulgent.

One could say the same for the AC Mk IV Lightweight, only more so. This re-creation of the AC Cobra of the 1960s is the muscle car personified. A huge five-litre, 325-horsepower, Ford V8 engine has been shoe-horned into a tubular steel chassis topped with an open two-seat body, hand-beaten and rolled from aluminium sheet.

Before the war, AC advertised its individually-built cars as "true products of the Savile Row of motordom." The barrel-chested Mk IV Lightweight is true to this tradition.

An AC Competition two-seater with cut-away doors and fold-flat windscreen cost £500 in 1937, when a Savile Row suit was about £15. Both have gone up a bit since then.

Savile Row suits now cost around £1,500. The key-in-hand price of a hand-built AC Mk IV Lightweight is close to £100,000.

For this you get a macho machine, arrogantly impractical as an everyday car but, even at legal speeds on public roads, joyously exciting to drive. It has been timed at 4.2 seconds from 0-62 mph (0-100 kmh), 10.6 seconds from 0-100 mph. On a private circuit, it must be breathtaking.

Never mind the modern engine – it has the appeal (and wood-rimmed steering wheel) of an aristocratic 1930s' sports car. But its squat, ultra-grippy tyres and enormous disc brakes make it much easier and, in today's traffic, safer to drive.

When I visited the AC factory near Brooklands, some of the same artist-craftsmen who make the cars were running up the Merlin engine of a second world war Hurricane fighter they have rebuilt. A thrilling sound – but no more so than the song of a Mk IV Lightweight in second at 6,000 rpm.

Nothing could be more different from Porsche or AC than the Subaru SVX. Its 226 bhp, 3.3-litre, 24-valve, flat-six engine drives all four wheels. The transmission distributes the power individually to each wheel, according to tyre grip. ABS does the same for the braking effort.

Of the quartet of high performers, none impressed me as much as the SVX. Styled strikingly with the windows curving up into the roof, it is a genuine four-seater with a good boot. Automatic transmission, air-conditioning, leather seats (the front ones heated, the driver's power-adjusted), cruise control, power-operated windows and sun roof all are standard.

Satisfying, yet undemanding to drive, the SVX feels glued to wet or dry roads, makes little mechanical, wind or tyre noise and, remarkably, gave me a shade over 26 mpg (10.8 l/100 km). I cannot think how Subaru and its British concessionaire, IMI Group, manage to sell it for only £28,000.

Finally, the third-generation BMW M5. This has just gone on sale in Britain at £48,950, or £55,575 with air-bag, leather trim, air-conditioning, remote-control anti-theft system and electric seats, and without any chromium trim. The charge for getting rid of the glitter is £90.

The M5 combines the virtues of a four/five seat, big-booted 5-Series saloon with super-car performance. While top speed is limited to 155 mph (250 kmh), it gets from 0-62 mph in 5.9 seconds and – more importantly for a business driver – from 50-75 mph in 6.9 seconds in fourth gear. The engine is a 3.8-litre in-line six developing 340 horsepower.

The 17-inch wheels give sharp steering response and seemingly unlimited cornering abilities, but at the cost of bumpiness on rough roads. Electronically controlled damping adapts nicely to a driver's mood, although the ride is on the firm side of luxurious.

The M5 has a dual personality. At 30 mph and a shade over 1,000 rpm, it pulls unprotestingly in fifth gear. But drop into third and let the engine spin and it takes off like a rocket. Manual transmission would not be my choice in a car of this class but the gear-shift is good and, in view of the power it has to transmit, the clutch is light.

The perils of stardom laid bare

Anthony Curtis follows Judy Garland down that yellow brick road to the end of the rainbow

ELDERLY Judy Garland fans – there still are quite a few of us around – find their addiction excellently served by *television. Her films* frequently come up at times like nine in the morning and two in the afternoon. Now that I have learnt how to work our video, I tend to view them later in the evening and they usually prove highly rewarding nostalgia. There is also – to coincide with this massively comprehensive biography, *Judy Garland* by David Shipman – a Judy season at the National Film Theatre lasting into October.

JUDY GARLAND
by David Shipman
Fourth Estate £17.99, 522 pages

Seeing the films again, and then reading about the tantrums that surrounded the making of them, offers a remarkable double-take. The peerless professionalism of what is captured on screen (certainly in the ones for MGM) seems to belie the image evoked by Shipman of a performer invariably late if she turned up at all, terrified of the cameras before they started rolling, capable of vicious verbal sniping at some of her closest colleagues and best friends, and so chock-full of alcohol, barbiturates and other assorted drugs that frequently shooting would cease while she was rushed off to a nearby clinic to be nursed back into workable shape.

It is a frightening story, every bit as harrowing as the parallel one of Marilyn Monroe. These two feminine movie-idols rarely met but closely identified with each other. After Monroe's death Garland remembered Monroe at a Hollywood party, following her from room to room, saying: "I don't want to get too far away from you. I'm scared." Garland replied: "We're all scared. I'm scared too".

By the time of *Summer Stock* (1950), the film Garland made towards the end of her contract with MGM, with Gene Kelly and Phil Silvers in his pre-Bilko days, she had a serious weight problem. The movie tried, with its perfunctory plot about some actors putting on a musical in a barn, to revive the girlish *ingénue* figure she had radiated in those early Andy Hardy family movies when she was competing with the more sophisticated young women surrounding Mickey Rooney, and also to recall her first great success as the rainbow-orientated Dorothy in *The Wizard of Oz*. And it all works light-heartedly well, with Judy's "Get Happy" sequence, the song composed earlier by Harold Arlen, the high-spot of the picture.

Yet that had to be shot – after Garland had come out of hypnosis – three months after the rest of the film. "Her breath," Shipman says, "reeked of paraldehyde". The main shooting, according to Charles Walters, who directed it, was a nightmare: "God, she was a problem . . . She'd come storming in and say 'Look, buddy, if you expect any acting out of me, forget it!'".

But her magic, when finally caught on screen, was such that her private excesses were always forgiven; until the final straw, which came through her vacillations over the movie of *Annie Get Your Gun*, and then walking out of *Royal Wedding* in which she was to have performed with Fred Astaire. Her behaviour then broke the studio's corporate back and she was finally out.

Garland made more movies after the firing, including the memorable *A Star is Born* (which lost money first time around) for Warner Brothers, but they were largely mediocre. Her main post-MGM career consisted of a series of triumphant personal appearances, singing her heart out, live, over a range of numbers with amazing variety of attack, in venues like Carnegie Hall, the Hollywood Bowl and the London Palladium. The latter was her favourite stage: she was always acclaimed by her loyal British following, the audience's tears flowing as copiously as hers.

But just as she had become camera-shy in the studios, now she suffered from stage-fright, and became increasingly unreliable as a live entertainer. At first the precariousnesses of her performances became a negative asset, audiences willing her to continue and cheering her at the end if she succeeded in somehow getting through the show. But as she became more and more incapable of delivering the goods, this asset soon dwindled to nothing. Her weekly television show for CBS was a disaster. Yet, great trouper that she was, her ability to bounce back, after spells in hospital, continued almost until the end, with her undertaking taxing tours of Europe and Australia when she was practically in a wheel-chair. She died in 1969 aged 47 and $4m dollars in debt.

The book is full of legendary names, all of whom at one time or another were Garland's friends. Humphrey Bogart's wife Lauren Bacall summed her up in these terms: "She was a complicated woman of tremendous wit and intelligence who had survived a distorted childhood and distorted marriages which left their mark . . . It was hard for her to think beyond herself – it had been that way too long".

Shipman is an omniscient movie-historian and has researched the book impeccably. He traces Garland's origins and her career as a child-performer. She was born Virginia Gumm and before she was 10 she was out there as Baby Gumm doing a song-and-dance act with her two older sisters. Their father Frank was a local theatre manager who moved to the Los Angeles area. He was secretly gay, like several of the men Garland would either have affairs with, or would indeed marry, including her second husband, Vincente Minnelli, the director of her smash-hit movie, *Meet Me in Saint Louis*.

Her most sustained marriage was her third, to Sidney Luft, Jewish and decidedly straight, a rough, tough fixer and gambler who managed her affairs in the post-MGM period, and by whom she had a daughter and a son. Garland re-enacted her stormy relations with her formidable mother Ethel in her role as mother to her own children, especially with her older daughter Liza, the one by Minnelli.

That relationship was one from which Garland drew great strength both on stage and off; but it was also one from which she felt a constant threat of being superseded. No family has room for more than one mega-star. The Liza-Judy conflict is only discreetly touched upon here. It will, I would hazard, one day be the basis of a major Hollywood film. Nothing was ever straightforward in Garland's life. Here it is in full, in a dispassionate book that gives a shattering insight into the perils of stardom.

Unsuitable case for treatment

Nigel Spivey comes to the conclusion that the gospel truth is hard to come by

A.N. WILSON'S biography of C.S. Lewis was a lovely book, abundant with the contagious grace of its subject. And it may be that the enthusiasm of C.S. Lewis for the stuff of Christianity – "the very thing you like in poetry and the romances, only this time it's true" – naturally conducts a biographer to Jesus (as it did Humphrey Carpenter). The challenge of "this time it's true" is enough to tickle the interest of any investigative hack, the opportunities to demythologise are legion; and to a biographer who is also a novelist, the temptation to explore the play of personalities in the Gospels must be almost irresistible.

But as Wilson fully admits, Jesus is wholly unsuitable for biography. Despite the Dead Sea scrolls and sundry archaeological clarifications of life in first century AD Palestine, little can be added to the well-known corpus of sources for Jesus's life. The scrolls put detail on a claim made over a century ago, by Ernest Renan, that Christianity was simply "an Essene sect that succeeded"; otherwise, nothing supplements the Gospels but apocrypha, and of the making of apocrypha there is no end. The latest whimsy – *Jesus the Man* by Barbara Thiering (Doubleday £16.99) – is that Jesus regained consciousness after his crucifixion and lived till 70 pottering about in the company of the other evangelists until his retirement (with second wife and family) to the South of France.

What value is to be fixed on those well-known primary sources, then? Wilson's main problem is that neither John nor the Synoptic Gospels accommodate his recognition of them as direct "reportage" in some parts and superb literary fabrications in others. He says that "there are moments in the New Testament where one has the sensation of having only just missed the Presence" (without specifying); but equally he wants the Gospel writers to be interpolators of entirely fictional devices, such as the suicide of Judas. So when it comes to tricky points of New Testament exegesis, for example the inconsistencies between the accounts of the trial of Jesus, Wilson disowns all difficulty by asserting that none of the Gospel writers knows "anything about Jewish legal procedures".

JESUS
by A.N.Wilson
Sinclair-Stevenson £15, 269 pages

He snaps up what trifles he can (Jesus, it seems, was ignorant of the dimensions of a fully-grown mustard tree), and tries to stay flinty when describing the grief-steeped episodes of the Passion. But this is a disorganised attempt at objectivity, from an author who is perfectly sensible to the moral cogency of Jesus's teaching but suspicious both of its foundations and of its conversion into the vaults and structures of the Christian church. "There is no historical task which so reveals a man's true self as the writing of a life of Jesus": thus Albert Schweitzer, who tried it.

Wilson's study carries the stigmata of one who is a renegade ordinand and renegade scholar, and it is hard to see what sort of reader he is seeking to satisfy. Practising Christians will be duly needled by his throwaway jabs in their direction ("Few of the Christian churches have ever viewed the teaching of Jesus with anything but contempt"); and New Testament pedants will be irritated by his bold dabbling in exegesis and facile citations of Professor So-and-So.

This is, frankly, the country of the blind, and I cannot salute A.N. Wilson as its one-eyed king. His own natural tincture of scepticism ought to have served him better: the problems presented by the supposedly "historical" evidence, which he outlines in his Preface and recalls throughout the main text, do indeed prove insurmountable. So he, too, resorts to the same speculation he derides in others. He suggests, on the feeblest of philological reasonings, that the High Priest's servant aurally impaired in the Garden of Gethsemane by Simon Peter was none other than a young St. Paul. "If I had the chance to return in time and meet Paul, I should take a close look at his ears" – a comment which illustrates Wilson's accessible but flippant style throughout. Then he hazards that the man seen on the road to Emmaus was James, the brother of Jesus. To be fair, he glosses such guesswork with "I believe that", "it would not be impossible to suppose", etc., but no partisan of "Gospel truth" is going to feel threatened by these half-baked hypotheses.

If there are people hungry to know what can be known about the historical Jesus, they would do as well to ignore this essay and stay with Humphrey Carpenter's, which is cheaper and considerably more disciplined.

A great crusader

CONOR Cruise O'Brien's book is worthy of Edmund Burke. Humane, passionate and polemical in equal measure, it is more a vindication than a biography. Yeats supplies not only the book's title, but also its theme and structure. Burke's life and work is a "great melody", a single, coherent crusade against corruption, misrule and oppression, whether in George III's England and America, Hastings' India, Mirabeau's France or Grattan's Ireland. O'Brien is adamant that on all five fronts Burke was right. And not just right, but consistent – consistently courageous, liberal, and influential.

The consistency of principle is hard to refute. "I feel an insuperable reluctance in giving my hand to destroy any established institution of government, upon a theory, however plausible": those words, delivered on Fox's India Bill, summarise Burke's stance in most of his controversies. *Circumstances* is the key Burkean word: "Circumstances . . . give in reality to every political principle its distinguishing colour, and discriminating effect. The circumstances are what render every civil and political scheme beneficial or noxious to mankind."

Circumstances precluded the abolition of the French nobility, and the denigration of the Catholic Church by the Jacobins, every bit as much as they forbade the taxation of the American colonists, enjoined religious toleration, and required the impeachment of Warren Hastings.

O'Brien does well to stress that Burke was revered as much by 19th century Liberals as by reactionaries then and since. More than anything, it was because of his zeal in exposing and lambasting oppression and abuse of power. To Burke, oppression was always a *circumstance* demanding reform, even if *circumstances* permitted only of partial, piecemeal change.

THE GREAT MELODY: A THEMATIC BIOGRAPHY OF EDMUND BURKE
by Conor Cruise O'Brien
Sinclair-Stevenson £22.50, 692 pages

"The happiness or misery of multitudes can never be a thing indifferent," he urged in one of his earliest tracts against the Catholic penal laws. Whether it concerned the Irish Catholics, Marie-Antoinette, or the eunuchs of the Begums of Oudh, tortured that Hastings might plunder their mistresses, once Burke's emotional sympathy was engaged the torrent followed.

Gladstone, not Disraeli or his successors, is Burke's most credible and creditable heir. The Grand Old Man read and re-read "On Conciliation with America" when grappling with Irish Home Rule. Government in Ireland could be successful, he argued, after Burke, only if "as in England, the law is felt to be indigenous." The Irish were manifestly capable of self-government, and no time was riper for granting it than 1886. Parliament refused to follow Gladstone as it had rejected Burke; it was wrong both times, to tragic effect. Unsurprisingly, it is in relation to Ireland that O'Brien's emotional insight deepest. He establishes fairly convincingly that Burke's father, a Dublin solicitor, was a Catholic who conformed to the established church in 1722 for fear of his livelihood – shortly after giving legal advice to the hapless James Cotter who was judicially murdered for little other than being a young, wealthy and extrovert Catholic. O'Brien has Richard Burke's shame and bitterness concealed by a necessary and total reticence (inherited by Edmund) continually obliging him to feign a disinterested persona and hide his anguish about the plight of Irish Catholics.

For all the conjecture, this seems entirely plausible. The "Catholic layer" helps explain not just the ferocity of Burke's reaction to the irreligion of the French revolution, but a number of personal feuds and the contrast between the extreme reserve he almost invariably exhibited when dealing with Irish issues and the occasional impassioned outburst.

Edmund Burke: lambasted oppression and abuse of power

"I vow to God," he told his Bristol electors, in his one public eruption, justifying his support for the 1778 Act relaxing restrictions upon the ownership of property by Catholics, "I would sooner bring myself to put a man to immediate death for opinions at once, than to fret him with a feverish being, tainted with the jail-distemper of a contagious servitude, to keep him above ground an animated mass of putrefaction, corrupted himself, and corrupting all about him."

Burke, we are told, divided his world into angels and devils. So does O'Brien. Burke's enemies are his enemies, and much of the book, alas far too much, is devoted to laborious rebuttals of almost every historian ever to have under-rated or criticised the Master. Public Enemy Number One is Sir Lewis Namier, now dead 32 years, whose manifold sins appear to be as much of omission as of commission. Other critics are damned simply as "Namierite", in some cases with gross unfairness.

The same defensive ardour gives rise to perverse omissions and judgments. It was emphatically not just "George III's will" which kept the American war going for five years after Saratoga (1777): popular fervour and large parliamentary majorities supported it. The political immorality of the Fox-North coalition is nowhere addressed; nor is the most damaging charge against the Burke/Fox India Bill – that it gave the Indian patronage, almost entire, to Fox's Whig relations and put it beyond parliamentary control. The notion that Fox repudiated Burke's stance on the French revolution through resentment of "Burke's intellectual and moral ascendancy over him" rings distinctly hollow.

O'Brien's portrayal of the revolution as the "first great experiment in totalitarian innovation" is apt, and Burke's *Reflections* were indeed, as he argues (quoting Reynaud), "*à la fois libérale et contre-révolutionnaire*." Yet Burke's view that a Bourbon restoration was the best policy for France should not go unchallenged. To do that is to ignore the post-1793 circumstances of France, and the disastrous experience of Charles X's reactionary reign – something a true Burkean would never do.

Andrew Adonis

Inside the Peking palace walls

Derek Davies on how the inscrutable Chinese leak the dirt and manipulate history

THIS COULD have been a magnificent book, an intimate, colourful yet definitive double biography of China's two all-powerful post-revolutionary leaders. Instead, it is marred by conceit and bias. It is, nevertheless, a good read.

Harrison Salisbury has enjoyed enviable access to China doubtless because his years as Moscow correspondent for the *New York Times* established his anti-Soviet *bona fides* in Peking's eyes, and this book benefits enormously from unbuttoned conversations with many of the main players and their acolytes in Peking's palace politics.

His rival China watchers, who despite China's intermittent bouts of relative openness must spend long years pouring over documents, fitting bits of evidence into a complicated jigsaw, must gnash their teeth in jealous rage as Salisbury casually attributes a fascinating titbit to a personal conversation with China's president Yang Shangkun or with Mao's personal secretary.

But the impact of such impressive footnote references is mitigated when Salisbury gives equal billing to sources such as the aged New Zealand Marxist poet Rewi Alley, Mao's hagiographer Han Suyin, or journalist Russell Spurr (who will be amused to see himself billed as a historian and specialist on Korea). More damaging are the names of many distinguished China scholars and journalist labourers in the nightsoil of Chinese politics meanly omitted from both the index and the bibliography. Salisbury has cast himself in the twin roles of ace reporter on the spot and guru, and appears reluctant to acknowledge rivals.

Nevertheless, the book represents a stunningly detailed account of two enigmatic figures; their years as leaders of a revolution and thereafter of a huge country; their tortured relations with each other, with their colleagues and with the outside world (Salisbury is particularly good on the Sino-Soviet relationship). Indeed, so detailed and circumstantial are some of the accounts of private conversations that the reader's critical faculty is jolted into suspicion that the line between history and gossip, even that between fact and "faction," has been crossed.

Anyone who has conducted interviews in China, even on those occasions when the interviewee has obviously received permission to talk pretty freely, finds himself being fed an indigestible "line" rarely enlivened by personal touches and reminiscences which do not serve as parables to underline the propaganda theme. The very detailed richness of Salisbury's anecdotal evidence confirms that Salisbury is not so much playing the part of a historian, but of a messenger boy for the Deng faction. This is the way Chinese history has unfolded for generations: emperors attempt to influence history's verdict on their predecessors; their successors do likewise.

Salisbury has obviously been fingered by the Deng faction to convey their version of Mao, and of Deng himself, to the outside world, just as Mao's wife, Jiang Qing, once picked out an unknown American sociologist, Roxanne Witke, to tell her story. One can only wish that he had exploited the resulting material by stepping back and putting both men into an objective context. Instead, Salisbury has softened Deng's hard edges, accentuating the pragmatic builder and glossing over the egotistical survivalist who ordered the tanks into Tienanmen Square and sacrificed comrades like Hu Yaobang and Zhao Ziyang, who were no longer assets to his interests, just as cynically as Mao had dumped him. The hard-liners Deng appointed to keep the lid on dissent in the aftermath of Tienanmen come across as essentially benign realists.

THE NEW EMPERORS, MAO AND DENG: A DUAL BIOGRAPHY
by Harrison E. Salisbury
HarperCollins £20, 544 pages

The full viciousness of Salisbury's sources falls on Mao. He is deservedly painted as a bloody tyrant, an increasingly neurotic Chinese Stalin who shut himself away from the people he constantly evoked to justify his worst excesses, who destroyed the bearers of bad news, and who brought death to millions, from famine in the wake of the Communes and the Great Leap Forward and from violent anarchy during the Cultural Revolution.

But the verdict of blood-stained tyrant does not fully serve the Deng clique's ends. Further smears are called for: Mao is portrayed as a decadent emperor, alternately fasting and gobbling braised bears' paws as millions of peasants starve; addicted to sleeping pills and drugs, wallowing "like a rutting walrus" in his heated pool within the Zhongnanhai, the imperial compound adjoining the Forbidden City, with assorted naked dancing girls.

All this may be true, or maybe exaggerated for foreign audiences The effect is bathetic: "Psst! I can exclusively reveal that Mao was not only a mass murderer; he was an adulterer too!" All those leaking the dirt on Mao to Salisbury, even those who, like Deng himself, suffered humiliation, prison and worse at Mao's hands, were part of the machinery which put Mao at the helm of China and kept him there. Today they still pay lip service to him and his doctrines, denouncing as sacrilegious those Tienanmen demonstrators who defaced his portrait which still dominates the great square. They are the men who run post-Tienanmen China today in the forlorn Maoist hope that China can import the West's technology, capital and business methods while embargoing its ideas.

As often happens in journalism, privileged access leads to copy which could have been dictated by interested parties. One can only assume that, like many "friends of China" before him, Salisbury wanted to maintain his access; if so, his hands too bear traces of tar. He can comfort himself with the thought that he has provided much of the material which someone will turn into a better book.

Fiction

Country life, French style

"THE WAR was a sort of bookmark which divided the pages of history": *Daughters of the House* is full of solid imagery like that. Each of the 50 chapters is named after an object: "The Sofa", "The Red Suitcase", "The Fish-kettle", "The Chandelier", "The Green Scarf". Its descriptions are so vivid that you know the way around house and village; you know colours, textures, tastes and smells, the sensuous surface of everything, and the wider atmospheric effects of weather and light. Michèle Roberts has been compared with Colette and in minuteness and immediacy, yes, there is something in it; also in the fact that the setting of this novel recalls Colette's world: nature in general and French country life in particular.

So far so good, and very good this side of it is. In a prosperous farmer's household in Normandy an odd mixture of relatives and relationships makes for tensions, disloyalties, passionate affections and lies. Across the fields is the village with its peasants and shopkeepers and its sinister, time-serving curé. Léonie and Thérèse are first cousins, Léonie half-English but ending up the virtual owner of house and farm because Thérèse enters the convent of an enclosed order, thus vanishing for 20 years. When she suddenly comes out it is clear that something must give way, since Léonie is passionately attached to her way of life and possessions and if a claimant as good as Thérèse turns up her claim to them seems doubtful.

DAUGHTERS OF THE HOUSE
by Michèle Roberts
Virago £14.99, 172 pages

The story is not just, or even mainly, about possessions, though: more about the unravelling of ancient secrets, about rancour left over from the years of German occupation and the jealous scratching of personalities across nearly 40 years. As the novel is short and the plot labyrinthine, there seems rather too much crammed in, with the final surprise abrupt and a good deal of the rest unexplained or inexplicable. Until quite far into it, who is exactly who is hard to be sure of, or what is fact and what conjecture, accusation or subjective judgment — things being understandably bizarre and bitter in the post-war years of an occupied country.

What is best about the novel is its snappy, highly readable style and its moments of acute insight, of strange, original intuitions, as when Léonie, crossing the Channel, lives through the transformation of England into France in terms of language. Or when the two girls, so closely linked yet so inimical, play out their fantasies in bloodthirsty games of medicine or martyrdom. The *pointilliste* technique that looks so simple (very short sentences, minimal complexity of syntax, jabs of colour, cumulative small effects) lends itself particularly well to these powerful thrusts of the irrational.

On straightforward plotting and narrative it is less effective, condensed to the point of confusion and with a crime-story technique of cues, hints and red herrings that often leaves one puzzled rather than curious. What happened in the cellar when Antoinette lost her show? What happens to Thérèse in the final fire? Above all, what are those visions about demonic possession or celestial visitation: hysteria or holiness, both or neither?

The overlap between dream and reality, supposition and fantasy and the facts of the case, is often too great. If the physical world is perfectly portrayed, every leaf in place, every scent recognisable, the everyday world of actual happenings and credible characters is much more weakly handled. Despite this it makes an attractive appearance in the Booker short list, an accessible and intelligent good read where good reads are sometimes scarce.

A final point which adds piquancy is that Thérèse's surname is Martin, which was that of St Thérèse of Lisieux, the Carmelite nun whose autobiography has gone round the world since she died nearly a century ago, aged 24. Michèle Roberts never reveals this, as it were, double thing, though there are hints for those in the know — the jacket with its portrait of St Thérèse, the acknowledgement to her *Histoire d'une Ame* in the Author's Note, the fact that the fictional Thérèse has written her own autobiography with the same title, and that her father has a habit of calling her his "little flower".

Isabel Quigly

Portrait of the Revolution

IT IS remarkable and perhaps telling that there have been so few successful novels set during the French Revolution. One thinks of Dickens' *Tale of Two Cities*, Anatole France's *Les Dieux ont soif* and Balzac's *The Chouans*, but none of these would be widely accepted as great. There are even fewer works of fiction which have the revolution as their central theme, or have characters based on real historical figures.

It is equally curious that the narrative sweep of the revolution has intimidated legions of historians and defeated most. There are plenty of dry and rather unforgiving tomes; there are some entertainingly bizarre books by Richard Cobb. *Citizens* was exceedingly well-timed for the revolution's bicentenary, but was actively disliked by most historians, doubtless because in his successful pursuit of literary and popular appeal Simon Schama bent a few too many professional rules.

A PLACE OF GREATER SAFETY
by Hilary Mantel
Viking £15.99, 871 pages

Such historical and literary difficulties have exercised generations of scholars and writers, so when Hilary Mantel's thumper finally went to press after 15 years' gestation, it was understandably accorded more than usual interest. Mantel has enjoyed the privilege of explaining ahead of publication what she is trying to achieve. To her the revolution is that dangerous thing, a passion, almost an obsession. She aims above all to show the private side of its central actors, to create around them a book one can think and live inside. What were Danton, Robespierre and Camille Desmoulins, their wives and mistresses too, like when the front door closed and the public faces fell away?

Mantel is either confused or unsure how she wants to be judged. She might make a fine historian. Her eye for facts and anecdote is keen, her research certainly not lacking. Here is unashamedly a Parisian revolution, and in parts it is adeptly, impressively painted. But she wants to be a novelist, so it is fair to address the writing as well as the endeavour.

Two hundred pages of our heroes' imagined early lives takes some reading, and frankly not much happens; another 130 pages before Mantel has played out the tame conceit that Desmoulins was bisexual — until then he is pretty fevered anyway, so his confession comes as equal relief to the reader. The characters are consistent, but their portrayal is not remarkably original. Danton is done best, Desmoulins worst. Robespierre reminds one of nothing so much as the austere perfectionist in Wajda's film *Danton*.

Could the action not have been hurried along towards the amazing period when our actors briefly contested and won arbitrary and absolute power? And therein lies the book's main weakness. This character, background and all, only has meaning, hence interest, because there were astonishing events. Dispense with that and the actors have no stage, their personalities pale. So we are offered a bad, long novel with a better history tacked on.

A simpler test is whether the book is a good read. Mantel's style is too quixotic to pass. Dialogue is a clumsy mix of modern and dated idioms which occasionally lapse into the ridiculous. Tenses are juggled anarchically, perhaps deliberately to signal temporal confusion as a parallel of political and moral chaos. Mostly, it jars.

Andrew Freeman

Drawn to the age of Bruegel

Patricia Morison visits the Rijksmuseum in Amsterdam

PRINTS AND drawings were Frits Lugt's greatest love, which explains why his name is not widely known beyond the circle of collectors. And yet it deserves to be, because Lugt (1884-1970), a self-taught Dutch art-historian, art-dealer, and connoisseur, created one of this century's major collections of Western art.

Although Lugt's interests were wide he is associated above all with his scholarly labours on Netherlandish artists between the 15th and 17th centuries. He built up an enormous collection of drawings and prints which in the Second World War was kept out of German hands by the simple expedient of mailing it in 60 registered envelopes to Switzerland.

In 1947, Lugt installed his growing collection in the Fondation Custodia in Paris. One hundred drawings have been lent to Amsterdam for *Drawings From the Age of Bruegel* in the Rijksmuseum Print Room until November 8. It marks the publication of Netherlandish and German Drawings of the XVth and XVIth *Centuries of the Frits Lugt Collection* (Dfl. 600), an exceedingly handsome catalogue by Karel G. Boon, former director of the Rijksmuseum.

In 1884 the Print Room was the scene of Lugt's triumph when, aged ten, he overcame the disapproval of "ageist" curators and was admitted to the study room. One wonders how he might have reacted to the redecorated Print Room, snazzy cherry-red display cases reminiscent of Dutch modernist interiors of the 1920s.

Drawings From the Age of Bruegel is like a rapid tour of Netherlandish workshops between 1520 and 1620, with a diversion via Lichtenstein to south Germany and Bohemia. We find masters producing drawings for a striking diversity of purposes. Drawings for stained glass, tapestries and engravings, take their place beside careful studies of nature (a particular treasure is an album of coloured miniatures by Jacques de Gheyn II), very early life-studies of the nude, and landscapes — with and without happy peasants.

Two outstanding portraits are a reminder that the Habsburg presence meant fat pickings for artists. After being driven out of Denmark Christian II went to live in style with his wife's Habsburg in-laws in Brussels where he sat to Jan Gossaert. Perhaps Gossaert's florid pen drawing was intended to provoke a commission for a painting? None survives although we can be grateful for Gossaert's Hampton Court portrait of the king's three enchantingly grave children.

Lucas van Leyden's drawing of the Maximilian I was an opportunist move to profit from the market for commemorative prints of the late emperor. He based it closely on Dürer's woodcut but made it more opulent and Italianate. But in so doing the great master's proportions went seriously wrong so that Maximilian, represented as if showing himself from a palace window, looks positively deformed.

In 1520 Dürer himself was in Antwerp, where he was impressed by the high standard of living achieved by van Leyden and other successful colleagues. He also cast admiring eyes on Dutch womanhood. A large, freely-drawn portrait shows a young Antwerp widow of 38 who the artist had first glimpsed in a religious procession, dressed in the white robes of a beguine. Dürer shows her with eyes downcast demurely enough but smiling ripely. It makes one wonder whether he did really intend her as model for the Virgin Mary reading.

As religion's crueller face showed itself in the Netherlands, there were pressing reasons why many artists left their divided homeland. Among the travellers were Roeland Savary and Pieter Stevens. Forest scenes in Bohemia by the former, views of Prague from across the Danube by the latter, are striking examples of Dutch artists exporting their famed landscape speciality. Goltzius's view of the country near Haarlem and Joos de Momper's winter scene, point the way to Dutch achievement in the next century.

Italy, of course, was the prime attraction for Netherlandish artists. Some never went home, like the Bril brothers and Jan Van der Street. Stradanus, as erudite humanists renamed him, did well for himself. For Duke Cosimo I he designed 20 different hunting scenarios, many quite absurd. A typically unsporting scene in the Lugt collection shows a dozen would-be Papagenos catching starlings with string.

Pen drawing of Christian II of Denmark, by Jan Gossaert

While Protestant propaganda may not make particularly attractive art, it is a striking feature of the exhibition. Old Testament imagery appealed to Calvinist patrons and alike to artists who saw themselves as committed, like the preachers and fighters, to leading the people of Israel from under the heel of the oppressor.

Scenes like Goltzius's *Idolatry of Solomon* and Swanenbergh 's *Josiah Stamping out idolatry*, in which huge fragments of falling statuary tumble onto the priests of Baal, were the counterpart to the real-life desecration of churches and their images. The she-bear devouring the children who mocked Elisha could be read as an image of God's coming vengeance on Catholics. The artist in question, Hans Bol, twice fled from the sack of his home by Spanish armies: his troubles were by no means untypical.

Some artists even tried a novel Calvinist iconography. *Christus Vera Lux* by the Leyden artist Lucas Cornelisz, shows a huge congregation kneeling in front of Christ while the pope and his cardinals exit to hell. Van Mander records that in Henry VIII's reign Cornelisz found a good market for his paintings in England where he went to work as a cook.

A Leyden contemporary, Aert Claesz, may even have used sex to sell the message. His scene of a picnic *à trois*, in which a bewildered lady is flanked by two nobleman pawing at her breasts, could conceivably symbolise the bewilderment of the Netherlands, torn between two faiths.

Kurt Sanderling: 'Russia saved my life and gave me my career, but my feelings are ambivalent'

The quiet conductor

Andrew Clark talks to Kurt Sanderling on his 80th birthday

FEW OF the world's senior conductors have escaped the cult of personality as successfully as Kurt Sanderling, who today celebrates his 80th birthday. Apprenticed at the Berlin City Opera in 1931, Sanderling fled to the Soviet Union when the Nazis came to power and eventually became Evgeny Mravinsky's deputy at the Leningrad Philharmonic. When he returned to Germany in 1960, it was to the communist East — as music director of the fledgling Berlin Symphony Orchestra. He was 80 before he made his name in the West, standing in at short notice for Klemperer in London in 1972.

Sanderling remains an underrated musician, partly because he has never followed fashion or sought popularity, but also because he is difficult to package commercially for modern audiences: there is no unnecessary gesturing in his platform manner, he is publicity-shy and dislikes recording. And yet he commands the respect of the world's leading orchestras, who respond to his musical authority, his quiet charm and integrity. As German conductors go, Sanderling is unusual: he is equally at home in the German and Russian Romantic repertoire, having the structural grasp of his native tradition, combined with the emotional warmth of the Russian school.

Anyone who makes their way to Sanderling's modest home in the East Berlin suburb of Pankow gets a courteous welcome. His living room is full of double-basses belonging to his second wife Barbara, a former orchestral player who now teaches. Sanderling, looks fit and speaks in gentle, measured tones. Why, as a Jewish refugee in the mid-1930s, had he chosen Russia and not the West? "There *was* no choice — you went where you could get bread and work. I had an offer from Bodanzky at the Met, but I couldn't get a US entry permit. I went to Moscow because an uncle there got me an immigration visa."

After learning a wide repertoire in Moscow and the provinces, Sanderling was invited to conduct the Leningrad Philharmonic at its wartime base in Siberia. He stayed with the orchestra nearly 20 years. "When I arrived my knowledge of Russian music was extremely limited. That changed quickly. I got to know some fine music that was hardly played in the West — Arensky, Taneiev, Rimsky-Korsakov's late works. I *wanted* to conduct them. I was the first to conduct all three Rakhmaninov symphonies.

"Nothing was forbidden, except for Richard Strauss during the war. I conducted Hindemith, Schoenberg and the German classics. But we had obligations, often depending on the stupidity or wisdom of those in power. One year *La Valse* would be bourgeois decadent, two years later it might be acceptable. There was no point fighting it. The public also had its taste — we did Tchaikovsky's Fifth Symphony several times a year, which is why I no longer have any desire to conduct it."

Sanderling's Soviet exile left an indelible stamp. It took him away from the sentimental German school of Tchaikovsky interpretation championed by Nikisch and Furtwängler, nurtured a respect for foreign cultures which his chauvinist German upbringing had denied him, and led to friendship with Shostakovich. "From the time he wrote his Fifth Symphony, it was as if he was telling our common life-story. His whole music was a protest against the life he was forced to live, and that was to a large extent my own life. No-one escaped the Stalinist terror, the awareness that people 'disappeared' without being able to talk about it. Russia saved my life and gave me my career, but my feelings are ambivalent."

Sanderling's reputation as a non-party leftist intellectual was in his favour when he applied to return to Germany. There was no question of settling in the West: it was difficult enough getting permission to leave Leningrad. "The Berlin I returned to was totally different to the city I had left, but I wanted a spot I could call my homeland. That doesn't mean to say I found East Germany beautiful and just, any more than the Weimar Republic and Soviet Union had been."

In his 17 years with the Berlin Symphony Orchestra he became known for his qualities as an orchestral trainer and his wide musical sympathies. Today his repertoire is deliberately small. He still conducts a handful of Shostakovich symphonies — the Eighth is a favourite — and continues to enthuse over Tchaikovsky's Fourth, which he believes is easily misunderstood: "It's a tragic symphony. The main theme of the finale is based on a Ukrainian song about a lonely tree battered by the winds of fate and finally trampled. If you treat it like a triumph, it sounds banal."

In recent years he has been increasingly drawn to music with a positive spirit, such as Bruckner, and is much in demand for Brahms — whose symphonies he will conduct in a cycle with the Philharmonia next year in London. His Beethoven, Schubert and Schumann are of the old school, with doubled woodwinds and other changes in instrumentation which he believes restore the "chorale-like" balance of orchestral sound intended by early romantic composers.

He loves the Sibelius symphonies, but says they demand a degree of preparation that only a chief conductor has time to achieve. Of the Mahler canon, he restricts himself to *Das Lied von der Erde*, the Fourth and Ninth symphonies and Deryck Cooke's performing version of the Tenth. "Mahler was the hero of my dreams when I was young, but I can no longer believe him when he's joyful — it's so obvious he's forcing himself. His nature is to grieve for the world."

His operatic work has been sparse — despite the fact that he started out in the theatre, as a repetiteur in the Berlin company led by Bruno Walter. "You can't imagine how wonderful it was to conduct the *Fidelio* quartet, standing next to the producer on stage while someone played the piano. The next time it was the stage music in Act 2 of *La bohème*, and then something else. That's how I learned to conduct."

Art fairs/**Antony Thorncroft**

Bargains from the belly-up

AFTER the worst summer in the memory of even the oldest antique dealer the art trade is attempting to find new hope in the autumn fairs which are now underway. Chelsea is the place to buy a bargain this weekend. The Old Town Hall is taken over by the Chelsea Antiques Fair which, in its 72nd successive year, is the oldest in the land, while along the road at Chelsea Harbour interior decorators, who have suffered badly in the last two years, are huddled together for support.

But the real test comes next week when the first major specialist fair of the new season, the 20th Century British Art, fills the Royal College of Art for five days. This is the sector which has been hit hardest by the recession. Six of last year's 52 exhibitors have since stopped trading, including such major names as David Messum and Trinity. And although their places have been filled by the likes of Agnews and Berkeley Square Gallery, there will be a feeling of apprehension when the doors open on Wednesday.

Colin Phipps of Austin Desmond & Phipps, who is chairing the Fair's advisory committee, reckons that prices will be marked down around 25 per cent on a year ago. And then the haggling starts. You could say that now is an excellent time to buy that Matthew Smith, or the Tristan Hillier that has been quite out of your price range since the speculative boom of the late 1980s. But it is possible that prices could go even lower if more major dealers go belly-up, forced by the short sighted banks to put their stock on a weak market via the auction houses.

Even so serious collectors now have the pick of an attractive crop of pictures, not only from distress sales but because dealers are now being forced to dispose of the works that they previously held back for their private delectation. It could be the best fair for buyers for some time.

There are sales taking place. Phipps own gallery has disposed of five paintings by Ivan Hitchens in recent months. Three years ago they would each have averaged £30,000; now they were going for around £18,000. It is interesting where they came from. One was from stock, one was acquired at auction (or rather after the auction for a bargain price), one came from another dealer, and two came from clients desperate to cash in their art.

Strangely, while the impulse buyer, prepared to pay up to £1,000 for a painting, has disappeared, and the big punter splashing out over £50,000 is very rare, the old fashioned art addicts are still happy to spend around £20,000 acquiring the painting that they have always lusted after. And these tend to be the more challenging works: it is the simple decorative paintings that have become virtually unsaleable.

The 20th Century Fair usually does well. Highlights this year include sculpture, priced from £300 to £5,000 on Gillian Jason's stand; John Bellany has created prints for the first time, on offer at Berkeley Square; Julian Hartnoll is showing the late John Bratby; while Michael Parkin and Agnews are both selling Sickert. Most of the major post-1900 British artists will be available, priced at 1986 values.

Cultures before Columbus

Timothy Potts on an ancient art with a modern feel

THE quincentenary of Columbus's landfall in America has been the source of considerable soul searching in the US. While mainstream Mr and Ms America may be happy to celebrate Europe's Transatlantic leap, the original new worlders (not to mention the watchdogs of political correctness) are demanding apologies and penance for the devastation which the "white gods" from the east wrought on the indigeous peoples they encountered.

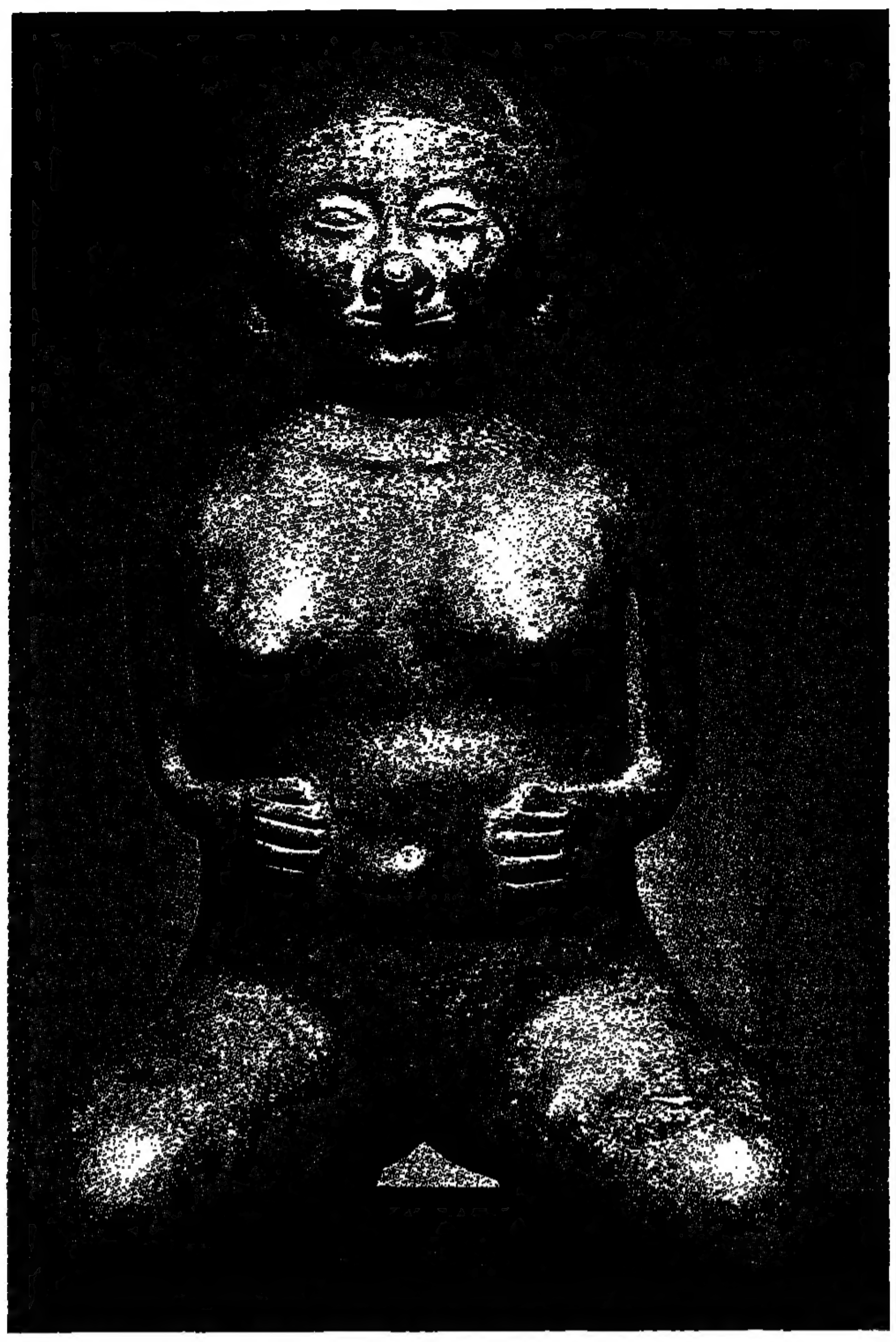
There is then a timeliness in *The Art of Ancient Mexico*, a fascinating and worthy celebration of the arts of the Olmecs, Mayas, Aztecs and other cultures which dominated Mesoamerica for some 3,000 years before the arrival of the Spanish. The works have been assembled from the major public collections of Mexico, judiciously supplemented by the British Museum (Museum of Mankind).

It has been over 20 years since the last major exhibition of ancient Mexican art in London, and an innocent eye is in this case not a bad way to confront cultures at once so alien and yet visually accessible. By eliciting reactions we normally expect only from modern western art, Precolumbian art stoutly refuses to be approached in a narrowly archaeological or even historical mindset.

A *palma* of Brancusi-like simplicity and elegance demands to be admired as pure form, despite its presumed religious or practical function. A Totonac sculptor carves a head in which only one half of the face is shown, the other half left undefined and emerging from its stone casing. It is all one can do to resist images of Michelangelo's bound figures in the Louvre. The Chac Mool reclining on his elbows, was so thoroughly imbibed by Moore that it seems here strangely familiar and modern. So too the Huastec sculptures and a Veracruz jaguar mask which have a futuristic primitivism that is pure *Star Wars*. Mexico can surely boast some of the most alien of all human art and it is no accident that Eric von Daniken found here so much fodder for his extra terrestrial dreamings.

Mayan art, widely regarded as the high-point of the Precolumbian achievement, took the decorative and iconographic principles established by the Olmecs in the centuries before Christ to a new level of delicacy and refinement. Jaina ceramic figurines of a women, priests and warriors are exquisite genre studies whose faces are to be seen all over the Yucatan to this day. Jade was exploited to lavish effect in relief carvings and, most spectacularly, in human masks. The so-called "eccentric flints", fashioned by knapping the brittle stone with extraordinary skill into bizarre forms, remain something of an enigma. Disappointingly, there is not a single piece of "narrative style" Mayan pottery, in which the native American's show a remarkable facility for two-dimensional naturalism – an unexpected foil to the mainstream spirit of strict iconographical formalism.

One surprise is the virtual silence in which the exhibition passes over the revolution currently taking place in Mayan studies from the decipherment of the Mayan hieroglyphic script. Since the script is itself a pictorial code whose understanding is intimately linked to the symbolism of Mayan art, this new insight lifts a veil from Mayan iconography too. As in Egypt, much ancient Mexican art needs to be deciphered in as precise and literal a way as writing. The more official and ceremonial pieces are interspersed with pottery and other items of everyday use, including rare woodcarvings. These are much more spontaneous and imaginative, showing the exuberance of the household or village craft tradition. In the human- and animal-shaped vessels of the Colima potters lies a virtual menagerie of local wildlife and domestic scenes – a baby, an emaciated hunchback, an acrobat – keenly observed with real sympathy and inventively adapted to shapes that can also function as vessels.



A funerary figure, 200-600 A.D in 'The Art of Ancient Mexico' exhibition at the Hayward

The show has been laid out with a keen eye for design and lighting, with adequate wall tests including evocative quotations from ancient Mexican texts. The designers have made the most of an awkward ramp at the entrance by arranging a series of intimidating Huastec statues in sentry-like rows. The layout of material is by regions, which only partly correspond to the major cultural entities (Olmec, Maya, Aztec etc.) and cuts across both media and periods. No system is perfect but this is a half-way measure which fully serves neither an archaeological nor an artistic end.

The handsome catalogue is itself no small design achievement whose superb illustrations provide much food for further thought and admiration. Alas the text – a direct translation of the Spanish version – is rather idiosyncratic in its selection of themes and suffers from the user-unfriendly focus of academics. The short bibliography ignores most of the major English-language studies.

The gold which fuelled the Conquistadores ravages is conspicuoulsy absent from *The Art of Mexico*. This is only partly the result of the mindless orgy in which the finest handiwork of the American goldsmiths was consigned wholesale to the melting pot by the Spanish invaders. Unlike their South American contemporaries, the Classic and earlier cultures of Mesoamerica did not much value the yellow metal, importing it from the south only sparingly. The Hayward show rightly avoids any hint of gold lust, focusing instead on the myriad other artictic achievements of these most ill-fated of peoples.

The Art of Ancient Mexico, Hayward Gallery, September 17 - December 6, 1992

Grown-up zarzuela

David Murray on Opera North's production of 'The Duenna'

ROBERTO Gerhard's comic opera *The Duenna* was staged for the first time at the beginning of this year, 22 years after his death. The audiences in Madrid and Barcelona were delighted (as was Max Loppert, who wrote about it here); now Opera North has mounted a second production of it, which should enjoy a similar success.

Substantial support has come from the European Arts Festival, quite rightly. Gerhard was Catalan-born of Alsatian and Swiss parents, studied composition under both the great Spanish nationalist Pedrell and Arnold Schoenberg, exiled himself to England at the start of the Franco régime, and in 1947 completed his only opera – to a 1775 English text by the playwright Sheridan, author of *The Rivals*.

The Duenna had originally been produced at Covent Garden as an "opera", *i.e.* a prose play with songs in verse. What Gerhard made of it amounted to a "Zarzuela Grande": a larger, through-composed version of the popular Spanish *zarzuela*, something between folk-operetta and musical comedy. Gerhard set the original verses as engaging ditties, expanded a number of speeches into serious arias and ensembles, left some minor dialogue to be spoken, and dressed the whole in richly sensuous music, seemingly "eclectic" – folk-Spanish, candid touches of Falla, *Meistersinger*-ish meditations, Schoenbergian chromatics, a Ravellian glitter.

Precisely because of that compendious eclecticism, the score found no favour when the BBC broadcast it in 1949, nor at a 1951 performance in Germany. But we are wiser now: with post-modernist ears, we can hear a composer's veering between different idioms as no more opportunist or insincere than following an Allegro in G with an Adagio in E-flat. Furthermore, as we know now, in the late works that were to establish Gerhard's international reputation – the Concerto for orchestra, and the dazzling ensemble-pieces *Libra* and *Leo* – all those strands would be woven into a unique, utterly personal vocabulary.

In *The Duenna*, they were just a bit more separated. The Schoenbergian passages lend emotional depth to Sheridan's comedy of elopements and disguises; the open-hearted show-numbers vie with the best Bernstein; the dancing Spanishry is instantly infectious. Antoni Ros-Marbà, who conducted the Spanish premiere, draws the best from the Opera North band here.

An eager, mostly young cast put their music across to excellent effect, though only a couple of them can speak Sheridan's sophisticated words in convincing style. As a fully rounded character, Andrew Shore's Don Jerome, the heavy father, is head and shoulders above the rest (as is his wont); but the baritone Adrian Clarke makes Don Ferdinand a colourable Regency blade, and the two flighty heroines are fervently sung by Pamela Helen Stephen and Susan Chilcott.

As lovelorn Don Antonio the tenor Gordon Wilson looked a dull stick (even in the first scene, a straight lift from *Barbier de Seville*) but warmed steadily to his musical role. Gillian Knight lent her seasoned wiles to the scheming Duenna, like Eric Roberts as the risible Portuguese Jew. A hint of Political Incorrectness there! – the production tried to pretend that being Portuguese was worse than being Jewish, but some discomfort remained.

With spectacular help from Sue Blane's unbridledly fanciful designs, and the more equivocal asset of a troupe of dancing mimes, the show wears a bright face. One could still wish that the director Helena Kaut-Howson had found more gestural detail for her principals: in the orchestral interstices of their numbers they often looked stranded and blank, reminding us too plainly that period-comedy needs professional actors. Still, those numb moments were only flecks on the action; Gerhard's effervescent score was more than enough to carry the evening.

Further performances in Leeds Grand Theatre September 19 & 25, October 2; Manchester Opera House October 21, Nottingham Theatre Royal October 30, Hull New Theatre November 5 Sponsored by European Arts Festival, Yorkshire Electricity

Theatre/**Alastair Macaulay**

Camp and corn rule

THE EMPEROR Hadrian – you remember – liked boys. No wonder, then, that he is the subject of a new show by the all-camp almost-all-drag company Bloolips. In he comes; throws down his sword, shield, helmet and breastplate; heaves a sigh; "Can't *stand* wars." Now he dons the gilded laurel crown; fluffs out his long hair; preens himself; "Much more *me*." From then on, Hadrian keepes changing from one glam frock into another. In one *soignée* appearance, he wears ostrich feathers and high heels. Now you see why the show is called *Get Hur*.

The Bloolips troupe loves not only camp but also corn. A servant goes to the oracle, to fetch the priestess – "She who sees and knows everything." He knocks on her door. From offstage, she calls: "Who is it?" He gives us a weary look and remarks: "Not very good, is she?" Hard would he be of heart who did not giggle at some of this tosh. Often it's as if *Up Pompeii* had been carted out of the closet, as when two slaves prod a drunken corpse in a frock: "He's like a left over from the Praetorian Guards' scratch-your-eyes-out Drag ball."

From time to time, this absurd affair is a hoot – but only from time to time. On this point, mind you, I differ from the Bloolips audience, which is loyally pro-camp, pro-gay, happily indulgent to the whole show and doting on lines that in "straight" theatre would earn only a quick titter. Here's an example. "We've got a secret weapon.?" "What is it?" "It's a secret." On press night, this exchange – far from original – stopped the show for 10 seconds.

The Bloolips performers are happy to let the show stop as often as possible. This is nudge-nudge theatre, far from brisk, low on energy, but full of nods, becks, winks. It keeps sagging in between the gags. Still, some of the gags are good. Hadrian tells the Sibyl about the way his love for the boy Antinus grew: "Then I began to pine and suffer – Oh, it was *glorious*."

I also liked Rim and Fammy Tay Baker, the two new believers from Jerusalem, who chant in unison: "We believe that there is one God and his name is Sandy." I even joined in Fammy's song: "Sandy, Sandy, You are so handy... Give us each day our daily candy... Send us restraint when we're randy." Fammy has Dame Edna glasses and a Bronx accent. She tells Hadrian about her god: "Sandy will *have no homosexuals with* trucks – I mean, no truck with homosexuals." Hadrian is not amused.

Get Hur continues at the Drill Hall Arts Centre, London N1

Radio/**B.A. Young**

Drama from Balzac to Sophocles

THE CLASSIC Serial this month on Radio 4 is Balzac's *Père Goriot*, with Stephen Fry as a handy Balzac and Douglas Hodge as the socially ambitious Eugène. The eponymous Goriot is scorned by Eugène and the other lodgers *chez* Vauquer, especially the cynical Vautrin (David Ross); they do not know that his girl friends are not his mistresses but his daughters. The tale, dramatised by David Hopkins, has not yet blossomed, despite the author's commentary, but is doing well under Kate Rowland's direction, with a helpful Goriot by Geoffrey Banks.

The Monday Play was Murray Watts's *The Fatherland*, about life in Soweto, only it wasn't broadcast. Instead, Keith Waterhouse presented sundry readings from comic English writing.

Still, drama-addicts like me had all the half-hours – *The Food of Love* by Joanne Maguire on Tuesday, about love and diet; part three of Christopher Lee's *The House*, later in the day, about Members of Parliament; the first of six parts of Eric Williams's *The Wooden Horse* on Wednesday, about escaping from a German prisoner-of-war camp; the second half of Wilde's *Lord Arthur Savile's Crime* on Thursday, about predicted murder; and the last part of Nigel Baldwin's *Cordoba* that evening, also about predicted murder. We can't complain.

And Radio 3 gave Sophocles's *King Oedipus* on Sunday, in W.B. Yeats's translation. John Theocharis directed it in his last production before retirement (though he had directed Thursday's *A Harlot and a Nun*, about Edna St. Vincent Millay), and he had a fine company. Robert Lindsay was Oedipus; Dorothy Tutin, Jocasta; Paul Daneman, Creon; beside these, I admired the Corinthian and Theban shepherds of David Ryall and Cyril Shaps, their speech so ably contrasted with the magisterial delivery of the higher-ups. However often you hear the legend, it never palls.

Last week Radio 4 took us for a buggy-ride round the French quarter of New Orleans. Last night the same director, Piers Plowright, gave us a bus-ride on Radio 3, in *A Bus named Desire*, which naturally was centred on Tennessee Williams. Local comment on him varied from "Who's he?", via "I thought he was really dull", "A nice man, very quiet", "All too decadent" to "I loved Tennessee Williams". There is no tramcar named Desire, or anything else, for the streetcars have been dismantled. In any case, the Desire Housing Project is a tricky area, where bus passengers may be robbed at gunpoint at the terminus. A fascinating programme.

If you still long for New Orleans, Nancy Lemann, in Radio 3's *Young Americans* series, called it "very beautiful and very painful". I was not quite at home with this series, where young American writers talk with the Irish novelist Timothy O'Grady and read from their work. There is too little real intimacy, despite the personal quality of the talk. Moreover it is not always easy to separate reading from interview.

More intimate was Tudor Parfitt's view, in Radio 4's *King Solomon's Tribe* on Thursday, of the Lemba in Zimbabwe and South Africa, who claim to be Jews, stemming from "Sena". The prophet Nehemiah, who gave much space to nominal rolls when he was not building walls, wrote in his Chapter 7, verse 38, "the children of Senaah, three thou*sand, nine hundred and* thirty," but did not record their having emigrated southward.

The Lemba are based in Soweto. They wear black skullcaps, circumcise babies rather than youths, even use a six-point star flag. They claim no close relationship with Ethiopia's Jewish Falasha, though both tribes observe Jewish kosher laws. Some of the Boers thought the land they gained after the Great Trek was the Promised Land, so the Lemba must watch out for ethnic cleansing.

Chamber fantasies

STIMULATED BY the archaizing Cobbett Prize for English chamber music, the student Britten wrote two short single-movement *Phantasies*, the second of which, his Op. 2, for oboe and string trio (1932), was the opening item of Nash Ensemble's 20th century concert (second in a series of four sponsored by IBM) at the Purcell Room on Thursday. Oboe soloist (but the part does not steal the limelight) Gareth Hulse, violinist Marcia Crayford, violist Roger Chase and cellist Christopher van Kampen revealed the work as a taut and flagrantly impassioned sonata argument, an achievement of extraordinary precocity. Their performance was notable alike for warmth and biting immediacy; and they found a great deal of colour in the music's frugal textures.

The other works on the programme (apart from Britten's Op. 93 cantata, *Phaedra*, for mezzo and small orchestra, with which the concert ended) had a Cobbettish character, two of them taking the string trio and adding a contrasting instrument, the other, Ravel's severe, searching but very felicitously devised Sonata for violin and cello of 1920, subtracting an instrument. The latter piece was realised by Crayford and van Kampen with compelling brilliance.

The nine-minute single movement of Colin Matthews's *Three-Part Chaconne* for the three strings and left hand piano was ideally Cobbettish in its declared use of the 17th century form; but gaily splashed with bass notes from the improvisatory piano (Ian Brown) this chaconne sounded nicely offbeat and modern: the piano takes off into a typical Matthews toccata towards the end.

Jonathan Harvey's new and specially commissioned *Lotuses* puts a flautist (Philippa Davies) with a string trio that often plays in *flautando* mode (ie. in harmonics), and indeed sports a variety of unorthodox performance techniques, to create a 20-minute ethereal dance of a piece, very free and bright and spiritual. Perhaps Harvey's vigour of invention here was unequally matched to his New Ageism; but there were delectable moments, particularly as afforded by that most breathily seductive of instruments, the bass flute.

Paul Driver

Chess No 941: If Kb5 22 Nc3+ Kc5 (Kxb4 23 Ra4 mate) 23 Nbd5 and 24 b3 mate. If Kb7 22 Nd6+ and 23 Nf7 wins a rook. If Kc7 22 Ra7+ Bb7(Kb8 23 Nc6 mate) 23 Rxb7+ Kxb7 24 Nd6+ and 25 Nf7. If Kd7 22 Ra7+ Ke6 (Bc7 23 Bxb6 or Ke8 23 Nd6+) 23 Ra8 Kd7 24 Rxc8 Kxc8 25 Nd6+.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Hallo Spencer. 7.50 Babar. 8.15 The New Lassie. 8.35 The Jetsons. 9.00 Parallel 9. 10.55 Film: Rogues of Sherwood Forest.

12.10 **Barney Bear Double Bill.**
12.27 **Weather.**
12.30 **Grandstand.** Introduced by Steve Rider. 12.35 Football: Reflecting on the European club competitions. 1.05 News. 1.10 Paralympics from Barcelona: Britain hopes to improve on its haul of 182 medals in Seoul. 1.25 Racing from Newbury: The 1.30 Highclere Nursery Handicap. 1.35 Paralympics. 1.55 Racing: The 2.00 Courage Stakes (Limited H'cap). 2.05 Basketball from Cardiff. 2.25 Racing: The 2.30 Rokeby Farms Mill Reef Stakes. 2.35 Basketball. 2.55 Racing from Newbury and The Curragh: The 3.00 The Coral Autumn Cup (H'cap) from Newbury, and the 3.15 GPA National Stakes from The Curragh. 3.20 Ice Hockey from Wembley Arena: Highlights of Montreal Canadians v Chicago Blackhawks. 3.50 Football Half-Times. 4.00 Athletics from Seoul: The Fourth Junior World Championships. 4.40 Final Score. Times may vary.
5.05 **News.**
5.15 **Regional News and Sport.**
5.20 **Dad's Army.**
5.50 **Big Break.**
6.20 **Bobby Davro: Public Enemy No 1.**
7.00 **Bruce Forsyth's Generation Game.**
8.00 **Casualty.** Paramedic Josh Griffiths is involved in a motorcycle accident, and new manager Kate Miller is inundated with complaints about under-funding and staff shortages. Starring Joanne Foster and Ian Bleasdale.
8.50 **News and Sport; Weather.**
9.10 **Film: The Witches of Eastwick.** Comic fantasy about three women who yearn for male company. Unaware of their powers, they summon the Devil. Starring Jack Nicholson, Michelle Pfeiffer and Cher (1987).
11.05 **Match of the Day.** Desmond Lynam introduces highlights of two of the day's top FA Premier League fixtures. Commentary by Barry Davies and Tony Gubba.
12.05 **Film: Harvest of Hate.** A young couple uncover a terrorist training camp in the Australian bush. Starring Denis Grosvenor (1978).
1.20 **Weather.**
1.25 **Close.**

BBC2

6.40 Open University.

3.00 **Look Stranger.** A programme about Andrew Campbell, a former Black Watch colonel, who, after years of service overseas, found happiness in Wales.

3.25 **Film: Ill-Met by Moonlight.** War adventure, starring Dirk Bogarde. During the German occupation of Crete, British agents are assigned to capture a Nazi general (1957).

5.05 **Film: Battle of the River Plate.** War story about the cornering by British forces in 1939 of the German battleship Graf Spee. Starring John Gregson and Anthony Quayle (1957).

7.00 **News and Sport; Weather.**

7.15 **Late Again.** Highlights from last week's editions of The Late Show.

8.00 **The Cosmic Joke.** By the year 2000, the world's population will number more than six billion people. In the first of two programmes, writer and scientist Dr June Goodfield considers how different countries deal with over-population. She begins in Mexico.

8.50 **Dancemakers: Wim Vandekeybus.** The innovative choreographer has been developing his style of dancing in Brussels for several years, winning international praise for his company, Ultima Vez. The film includes a performance of Roseland, winner of last year's IMZ Dance Screen Award; a piece which uses material from four of Wim's most successful works.

9.40 **Time Passing.** Film portrait of baby Victoria Wright's first year.

9.50 **The Brain Drain.**

10.20 **Sinead O'Connor.** A programme about the Irish singer/songwriter.

11.05 **Film: High Plains Drifter.** Violent Western, in which a drifter is enlisted to help rid a town of outlaws who have been released from prison. Directed by and starring Clint Eastwood (1972).

12.50 **Close.**

LWT

6.00 TV Am. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.00 The ITV Chart Show.

1.00 **ITN News; Weather.**
1.05 **LWT News; Weather.**
1.10 **The Smurfs.** Animation.
1.25 **The 1992 Biggin Hill International Air Fair.** Biggin Hill celebrates 75 years as Britain's most famous RAF fighter station.
2.25 **Starting from Scratch.**
2.55 **Matlock.**
3.50 **WCW Worldwide Wrestling.**
4.40 **ITN News and Results; Weather.**
5.00 **LWT News; Weather.**
5.05 **Cartoon Time.**
5.15 **Dinosaurs.**
5.45 **Catchphrase.**
6.15 **Barrymore.**
6.55 **Film: Crocodile Dundee II.** Mick Dundee, the Aussie adventurer, clashes with drug barons in Manhattan. Co-starring Linda Kozlowski (1988).
8.50 **Dame Edna's Neighbourhood Watch.** New series. The housewife megastar hosts a revolutionary new game show, assisted by Madge and Sister Bedgegood.
9.20 **Championship Boxing.** World champion Chris Eubank fights American Tony Thornton to defend the WBO Super-Middleweight title. Jim Rosenthal presents the action live from Glasgow's Scottish Exhibition Centre, with commentary by Reg Gutteridge and former world champion Jim Watt.
10.05 **ITN News; Weather.**
10.20 **LWT Weather.**
10.25 **Film: Red Heat.** Action thriller, starring Arnold Schwarzenegger and James Belushi. The Austrian bodybuilder plays a Russian detective who teams up with a Chicago cop to capture a drugs dealer (1988).
12.20 **The Big E.**
1.25 **Get Stuffed; ITN News Headlines.**
1.30 **New Music.**
2.35 **Get Stuffed; ITN News Headlines.**
2.40 **Indy Car Racing.**
3.40 **Rhythm 'n' Raag.**
4.10 **Coach.**
4.35 **The Hit Man and Her.**

CHANNEL4

6.00 Early Morning. 10.00 Quizbowl. 10.30 Gazzetta Football Italia - With Paul Gascoigne. 11.30 American Football: Play Action. 11.55 The Log Driver's Waltz. 12.00 Get Smart. 12.30 pm Songs and Memories.

1.00 **Film: Blackmail.** Edward G Robinson plays a man who is released from prison after serving a sentence for a crime he didn't commit (1939).

2.30 **When I'm Rich.** British animation.

2.35 **Racing from Ayr and The Curragh.** Including the 2.40 EBF Top Flight Leisure Maiden Stakes, 3.10 Auchenlech Water Graduation Stakes, 3.40 Ladbroke Silver Cup (H'cap), 4.15 Ladbroke Gold Cup (H'cap) and 4.45 Johnnie Walker Whisky Handicap from Ayr, and the 3.15 Smurfit National Stakes and 3.55 Jefferson Smurfit Memorial Irish St Leger from The Curragh.

5.05 **Brookside.**

6.30 **The Big 8.** The search for Britain's best wheelchair basketball team reaches its climax as the Sheffield Steelers take on the Milton Keynes Aces in the final. Commentary by Simon Reed and Gerry Kinsella. With subtitles. Last in series.

7.00 **The World This Week.** Sheena McDonald presents more international affairs.

8.00 **Children of Eskdale.** Following the lives of the Raws, a family of seven who have lived on a farm in Eskdale, North Yorkshire, for 16 years. Part of a retrospective season of documentaries by Barry Cockroft.

9.00 **Court TV: America on Trial.** Cynthia McFadden presents real-life drama from American trials.

10.00 **Let the Blood Run Free.**

10.30 **Film: Alias 'La Gringa'.** Thriller by Peruvian film-maker Alberto Durant, starring Germano Gonzales as an outlaw who risks his life to help a friend. (1991).

12.25 **Australian Rules Football.**

1.25 **Twilight Zone.**

2.10 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
1.05 Anglia News. 1.10 Starting from Scratch. 1.35 Chequered Flag. 2.05 McCloud: This Must be the Alamo (1974) 5.00 Anglia News and Sport 10.20 Regional Weather.
BORDER:
1.05 Border News. 1.10 McCloud: Lady on the Run. (1974) 3.50 Granada Sports World. 5.00 Border News and Weather
CENTRAL:
11.30 Zorro. 1.05 Central News 1.10 Rocksport. 1.25 The Life and Times of Grizzly Adams. 2.20 Superman. 2.50 Cartoon Time. 3.00 Brand New Life. 5.00 Central News 5.05 The Central Match - Goals Extra. 10.20 Local Weather.
CHANNEL:
11.30 Blockbusters. 1.05 Diary Dates. 1.10 Motor Sport Special. 1.40 Red Skies of Montana. (1952) 3.25 Cartoon. 3.50 Zorro. 4.15 This is America, Charlie Brown. 5.00 Channel News. 5.05 Puffin's Pla(i)ce. 10.20 Regional Weather.
GRAMPIAN:
1.05 Grampian Headlines 1.10 Fionnan-Feoir. 1.40 Cuirm Cioinne 1.55 The Intruders. 2.25 Chequered Flag. 2.55 The Life and Times of Grizzly Adams. 5.00 Grampian Headlines and Weather 5.05 Put it in Writing. 10.20 Grampian Weather.
GRANADA:
11.30 Zorro. 1.05 Granada News 1.10 McCloud: Lady on the Run. 3.00 Granada Sports World. 5.00 Granada News 5.10 Granada Goals Extra.
HTV:
11.30 Movies, Movies, Movies. 1.05 HTV News. 1.10 Echo of Diana. (1961) 2.20 The Mountain Bike Show. 2.50 Chequered Flag. 3.20 Dogs to the Rescue. (1972) 5.00 HTV News and Sports Results. 10.20 Regional Weather.
HTV Wales as HTV except:
No variations.
SCOTTISH:
1.05 Scotland Today. 1.10 Cartoon Time. 1.20 Ulysses. (1953) 3.15 Highway to Heaven. 4.10 Bullseye. 5.00 Scotsport Results. 5.10 Scotland Today 9.30 ITN News 9.30 Scottish Weather. 9.35 Championship Boxing. 10.35 Red Heat. (1988)
TSW:
11.30 The South West Week. 1.05 TSW News. 1.15 The 1992 Biggin Hill International Air Fair. 2.15 Gardens for All. 2.45 The Southampton International Boat Show. 3.15 Night Games. (1974) 5.00 TSW News. 5.05 Gus Honeybun's Cartoontime. 10.20 TSW Weather.
TVS:
11.30 Blockbusters. 1.05 TVS News. 1.10 Motor Sport Special. 1.40 Red Skies of Montana. (1952) 3.25 Cartoon. 3.50 Zorro. 4.15 This is America, Charlie Brown. 5.00 TVS News.
TYNE TEES:
1.05 Regional News. 1.10 The Mountain Bike Championships. 1.40 Chequered Flag. 2.05 The Oregon Trail. (1959) 3.45 The Life and Times of Grizzly Adams. 5.00 Northern Life Sport Special.
YORKSHIRE:
11.30 The Munsters Today. 1.05 Calendar News. 1.10 Davy Crockett. 2.05 The Oregon Trail. (1959) 3.40 Baywatch. 5.00 Calendar News. 10.20 Local Weather.
S4C Wales as Channel 4 except:-
10.00 Jeifin. 12.30 The Cosby Show. 1.00 Blackmail. (1939) 6.30 Animal Rites. 7.00 Newyddion Nos Sadwrn. 7.15 Gemau Heb Ffiniau. 8.45 Tocyn Tymor. 9.35 Fighters. 11.35 Hero Hungry.

SUNDAY

BBC1

8.45 Open University. 8.55 Playdays. 9.10 News. 9.15 Start Your Own Religion. 9.30 This is the Day. 10.00 Sign Extra: QED. 10.30 Film: Dream One.

12.05 **The Flintstones.** Cartoon.

12.30 **CountryFile.; Weather for the Week Ahead.**

12.55 **News.**

1.00 **The High Chaparral.**

1.55 **Cartoon.**

2.00 **EastEnders.**

3.00 **Eldorado.**

3.30 **Film: The Barefoot Contessa.** Drama about the life and times of an unhappy dancer in a Spanish cabaret. Starring Humphrey Bogart and Ava Gardner (1954).

5.35 **Biteback.** Richard Jobson examines viewers' complaints about Top of the Pops. The BBC is questioned about the blanking out of a former Ulster MP's voice on the discussion programme Nation.

6.15 **Lifeline.**

6.25 **News.**

6.40 **Songs of Praise.** Debbie Thrower meets the Bishop of Bristol, the Rev Barry Rogerson, in the city's magnificent cathedral.

7.15 **Keeping Up Appearances.**

7.45 **The House of Eliott.**

8.40 **Birds of a Feather.**

9.10 **News and Weather.**

9.25 **Screen One: Born Kicking.** A young female footballer with talent faces sex discrimination when she tries to make a name for herself. Starring Eve Barker and Denis Lawson, with Terry Wogan, Bob Wilson and Michael Whale appearing as themselves.

10.50 **Everyman.** Eight Oxfam volunteers tour Oxfam-supported projects in north-west India to find how money raised in the UK is being spent.

11.30 **Film: The Club.** Jack Thompson plays a soccer coach in this drama of off-the-field antics and politics at a football club (1980).

1.05 **Weather.**

1.10 **Close.**

BBC2

6.35 Open University. 12.00 The Sky at Night.

12.20 **Sunday Grandstand.** Introduced by Steve Rider. 12.25 Athletics: The World Half Marathon Championship Great North Run. The world's top long-distance runners, including Liz McColgan, meet in Newcastle. Action from the World Junior Championships, which end in Seoul today, and highlights from the Paralympics. 3.15 Motorcycling: The sixth and final round of the British Supercup from Brands Hatch. 3.45 Three-Day Eventing: A look back at the dressage, cross-country and showjumping action at the Burghley Horse Trials. 4.30 Motorcycling. 5.30 Athletics: Further coverage from Newcastle. Times may vary.
6.00 **The Blackpool Tram.**
6.30 **One Man and His Dog.** Phil Drabble introduces the shepherds and their dogs competing in the second semi-finals of the single and brace championships.
7.15 **The Living Planet.** David Attenborough visits some of the world's hottest and driest places, where mammals becomes active at night and reptiles hunt in the early morning. In the Mojave desert, he finds a plant which has been growing for more than 10,000 years.
8.10 **The Look.** New series about the international fashion industry. The first programme focuses on the chaotic prelude to the Paris shows of top designers, including a wry but intelligent look at how catwalk seating plans relate to power.
9.00 **Did You See?** New series. Jeremy Paxman and guests look back at the week's television highlights.
9.40 **Time Passing.** Following six couples who get married on a typical day at Bristol Registry Office.
9.50 **France Decides: A Newsnight Special.** Coverage of the French referendum on the Maastricht treaty. Jeremy Paxman and Peter Snow analyse the result.
10.20 **Film: The Lost Boys.** When two brothers move to a Californian town, they discover the local teenage gang comprises a clutch of vampires (1987).
11.55 **Night Stalker.**
12.50 **Close.**

LWT

6.00 TV Am. 9.25 The Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 The Human Factor. 12.30 pm An Invitation to Remember. 12.55 LWT News; Weather.

1.00 **ITN News; Weather.**
1.10 **Disney's Sports Special.**
2.00 **Bullseye.**
2.30 **The London Match.** West Ham v Derby. Ian St John introduces live action from the first division match at Upton Park, with commentary by Brian Moore. And a round-up of the capital's other Football League matches.
5.05 **Baywatch.**
6.00 **Animal Country.** New series. The return of the show for animal-lovers, featuring miniature horses, Tonkinese cats and a friendly fox.
6.30 **ITN News; Weather.**
6.35 **LWT News; Weather.**
6.40 **Dana - The Road to the Isles.** Dana's journey comes to an end in Mallaig on the Isle of Skye.
7.15 **You've Been Framed!**
7.45 **Film: Working Girl.** An ambitious but downtrodden Wall Street secretary finds the ideal opportunity when her boss falls sick. Masquerading as her boss, she closes an important business deal. Corporate comedy, starring Melanie Griffith, Sigourney Weaver and Harrison Ford (1988).
9.50 **Michael Winner's True Crimes.** About the death of 34-year-old Essex man Michael Barber. Last in series.
10.20 **The Monarchy.** Although the Queen is officially the head of state, most people believe she has little effective political power. Does the monarchy have any real influence on the way Britain is governed?
10.50 **ITN News; Weather.**
11.05 **LWT Weather.**
11.10 **Derrick.; ITN News Headlines.**
12.20 **Cue the Music.**
1.20 **The ITV Chart Show.**
2.20 **Get Stuffed; ITN News Headlines.**
2.25 **Film: Daddy's Gone A'Hunting.** Starring Carol White and Paul Burke. (1969).
4.25 **Get Stuffed.**
4.30 **Memories of 1970-1991.**

CHANNEL4

6.00 Early Morning. 9.25 Laurel and Hardy. 9.30 Dennis. 9.45 Flipper. 10.15 If Wishes Were Horses. 10.45 Voyage to the Bottom of the Sea. 11.45 Little House on the Prairie. 12.45 pm Ovide; Laurel and Hardy.

1.00 **Film: Left, Right and Centre.** A television personality runs for office for the Conservatives. Political comedy, starring Ian Carmichael and Alastair Sim (1959).
2.45 **Football Italia.** Watford's Luther Blissett joins Peter Brackley in the commentary box as Lazio takes on Cagliari.
4.55 **Captain Outrageous/Sloppy Jalopy.; Celebrity.**
5.10 **News.**
5.15 **Answering Back.** Susannah Simons interviews David Mellor MP, and asks why the new Department of National Heritage was created.
6.00 **Miraculous Mellops.** New series. Fantasy adventure for children.
6.20 **The Cosby Show.**
7.00 **Equinox: The Bermuda Triangle.** Exploring the mysterious legend of the Bermuda Triangle. American geo-chemist Dr Richard McIver's presents a new theory, based on the experiences of the oil and gas industry, observations from prominent scientists worldwide, and visits to the unique mud volcanoes of Azerbaijan.
8.00 **Tights Camera Action!** New series. Collection of dance and movement films, including choreographer Lea Anderson tangoing in director Zbig Ribczynski's living room, and dance and animation colliding on the streets of Prague.
8.30 **American Football.** The San Francisco 49ers challenge the New York Jets.
10.00 **Film: The Rosary Murders.** Donald Sutherland tracks the murderer whose targets are priests and nuns (1987).
11.55 **Midnight Special.** Vincent Hanna presents a discussion about the implications of the French referendum for the Maastricht treaty. The French decision may have profound effects on the future of Europe. The result will be discussed by politicians and commentators from the UK and abroad.
1.30 **All-Ireland Gaelic Football Final.**
3.30 **Close.**

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-ANGLIA:
12.30 Gardening Time. 12.50 Anglia News. 1.10 Frank Sinatra. 2.10 Heirloom. 2.40 Candid Camera Classics. 2.50 Express to Terror. (TVM 1979) 4.35 Baywatch. 5.30 Bullseye. 6.35 Anglia News. 11.05 Regional Weather. 11.10 The Young Riders.
CENTRAL:
12.30 Gardening Time. 12.55 News 1.10 1992 Biggin Hill International Air Fair. 2.10 Memories of 1970-1991. 2.45 The Central Match 5.00 Bullseye. 6.35 News 11.10 Dangerous Women.
CHANNEL:
12.30 Reflections. 12.35 Les Francais Chez-Vous. 12.50 Tele-Journal. 1.10 International Yacht Racing. 1.40 Dog Days. 2.05 The Parent Trap. (1961) 4.30 Bullseye. 6.35 Channel News.
GRANADA:
12.25 Chalte, Chalte. 12.55 Granada News 1.10 Disney: 2.05 The Life and Times of Grizzly Adams. 3.05 Scott of the Antarctic. (1948) 5.00 Bullseye. 5.30 Coronation Street. 6.35 Granada News 11.10 Prisoner: Cell Block H.
HTV:
12.30 West Country Farming. 12.55 HTV News. 1.10 Press Your Luck. 1.40 Challenge of the Seas. 2.10 Cartoon Time. 2.20 WCW Worldwide Wrestling. 3.10 Red River. (1948) 5.30 Bullseye. 6.35 HTV News.
HTV Wales as HTV except:
1.10 The River.
SCOTTISH:
10.45 Glen Michael's Cartoon Cavalcade. 11.15 Link. 11.30 Sunday Service. 12.30 Journeys. 12.55 Scotland Today. 1.10 Take 5 - Take the High Road. 1.30 Hollywood's Hidden Heroes. 2.05 Cartoon. 2.10 Wonderman. (1945) 4.05 Baywatch. 5.00 Scotsport. 6.00 Scotland's Larder. 6.35 Scotland Today 11.05 Scottish Weather. 11.10 Fedora. (1978)
TSW:
12.30 TSW Farming Week. 12.55 TSW News. 1.10 Roger Whittaker Live from the Tivoli. 2.15 Gus Introduces Frootie Tooties. 2.25 Highway to Heaven. 3.20 Star of India. (1954) 5.00 Bullseye. 5.30 Cobblestones, Cottages and Castles. 6.35 TSW News. 11.05 TSW Weather. 11.10 Prisoner: Cell Block H.
TVS:
12.30 TVS News. 12.35 Agenda. 1.10 Yacht Racing. 1.40 Dog Days. 2.05 Parent Trap. (1961) 4.30 Bullseye. 6.35 News.
TYNE TEES:
12.25 Earthmovers. 12.55 Regional News. 1.10 Dogs with Dunbar. 1.40 The Biggin Hill International Air Fair. 2.40 The Back Page. 3.10 Savannah Smiles. (1982) 5.00 Animal Country. 5.30 Bullseye. 6.00 All the Town's a Stage. 6.35 Regional News. 11.10 Prisoner: Cell Block H.
YORKSHIRE:
12.25 Charlie Brown. 12.50 Calendar News. 1.10 The 1992 Biggin Hill International Air Fair. 2.10 Highway to Heaven. 3.05 Savannah Smiles. 5.00 Animal Country. 5.30 Bullseye. 6.00 Calendar. 6.35 Local Weather 11.05 Local Weather. 11.10 The Sign of Four.
S4C Wales as Channel 4 except:-
6.00 The Channel 4 Daily. 9.25 Where Do We Go from Here? (1945) 12.45 Kingdom of the Plains. 1.45 Nomads. 4.55 Magoo's Masquerade. 5.00 Dechrau Canu Dechrau Canmol. 5.30 Pobol y Cwm. 7.05 Bwrw'r Sul. 8.00 Y Llyffant. 8.40 Hel Straeon. 9.10 Newyddion. 9.15 Saith Diwrnod Ar y Sul. 9.30 Ffiniau. 9.45 American Football 1992-93. 11.15 Children of Eskdale.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon. 8.00 Brian Matthew. 10.00 Anne Robinson. 12.00 The Chris De Burgh Story. 1.00 Hancock's Half Hour. 1.30 I'm Sorry I Haven't a Clue. 2.00 Sounds of the Fifties. 3.00 Richard Ingrams. 4.00 Let's Twist Again. 5.00 Cinema 2. 5.30 The Movie Quiz. 6.00 In Concert. 7.00 You Can't Have One Without the Other. 7.30 BBC Big Band in Concert. 8.30 Easy Does It. 10.00 Arts Programme. 12.05 Sounds of the Fifties. 1.00 Charles Nove 4.00 Barbara Sturgeon.

BBC RADIO 3
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Bath International Festival 1992.
2.25 Frescobaldi and Froberger.
3.00 Vienna: The Philharmonic Years 1842-1992.
5.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Russian Nationalists.
6.55 The Force of Destiny.
10.40 Young Americans.
11.00 African-Night Music.
11.30 Impressions.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 Conference Special.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 The News Quiz.
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Saturday Playhouse.
4.00 Science Fiction.
5.00 A Year in Harness.
5.25 Fourth Column.
6.00 News and Sports Round-up.
6.25 Week Ending.
6.50 Ad Lib.
7.20 Kaleidoscope.
7.50 Classic Serial.
8.50 Beyond Belief.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.45 Joining the Cubs.
11.00 Tingle Factor.
11.30 The Miles and Millner Show.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
6.30 Weekend Edition.
9.30 Get Set.
10.30 Tales of the Texas Rangers.
11.00 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
5.00 Sports Report.
6.06 Six-O-Six.
7.30 Le Top.
8.30 World Title Fight.
11.05 On the Level.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain; The World Today. 7.30 Meridian. 8.00 Newsdesk. 8.30 People and Politics. 9.00 News; Words of Faith; A Jolly Good Show. 10.00 News; Business Report; Worldbrief. 10.30 Personal View. 10.45 Sports Roundup. 11.00 News Summary. 11.01 Europe's People. 11.30 Londres Midi. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News; News About Britain. 1.15 Multitrack 3. 1.45 Sports Roundup. 2.00 Newshour. 3.00 News Summary. 3.01 Sportsworld. 4.00 World News. 4.15 BBC English. 4.30 News in German; Heute Aktuell. 5.00 News; Travel news; BBC English. 5.30 Londres Soir. 6.14 Letter From America. 6.29 News Summary. 6.30 News in German; Heute Aktuell. 7.00 News in German; Aktuelles Feature. 8.00 Latin Roots. 8.30 Europe This Weekend. 9.00 News; Personal View; Words of Faith. 9.30 Meridian. 10.00 Newshour. 11.00 News; News About Britain. 11.15 Jazz For The Asking. 11.45 Sports Roundup. 12.00 News; Words of Faith; Book Choice. 12.15 A Jolly Good Show. 1.00 Newsdesk. 1.30 Play of the Week: The Royal Hunt of the Sun. 3.00 Newsdesk. 3.30 The Invaders Legacy: Latin America 500 Years On. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 Business Review. 4.45 News and Press Review in German.

CLASSIC FM 6.00 Sarah Lucas.
9.00 Classic CD Chart Rundown.
12.00 Petroc Trelawny.
3.00 Adrian Love.
6.00 Classic America.
7.00 Introduction to the Opera.
10.00 Classic Quiz.
12.00 Andre Leon.
2.00 Classic CD Chart Rundown.
3.00 Andre Leon.
4.00 Classic America.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 John Sachs. 12.00 Bob Holness. 2.00 Benny Green. 3.00 Alan Dell. 4.00 A Tenor Sang. 4.30 Sing Something Special. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Radio 2 Arts Programme. 12.05 Mark Wynter. 1.00 Charles Nove. 4.00 Alex Lester.

BBC RADIO 3
6.55 Weather.
7.00 Sunday Morning Concert.
9.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age.
1.00 News.
1.05 Replay.
1.20 Mozart.
3.00 Contrasts.
5.05 The Purcell Simfony.
5.55 Prokofiev.
6.30 The Imprisoned Splendour.
7.30 Sunday Play.
9.35 Kent Nagano and the Halle.
11.20 Music in Our Time.
12.30 News.
12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.00 News.
8.10 Sunday Papers.
8.50 Ronnie Corbett.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Sunday Playhouse.
4.00 A Harlot and a Nun.
4.47 More Wrestling Than Dancing.
5.00 Down the River.
5.40 First Person.
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Ministering the Arts.
7.00 In Business.
7.30 A Good Read.
8.00 Opinion.
8.30 Ben Nevis - Venomous Hill of Heaven.
9.00 Natural History Programme.
9.30 Special Assignment.
10.00 News.
10.30 Science Fraction.
11.15 Working Among the Tyrants.
11.30 Seeds of Faith.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service: Newshour.
7.00 Waterlines.
7.30 Weekend Edition.
9.30 Tales from the Perilous Realm.
10.00 Johnnie Walker.
11.30 Fantasy Football League.
12.30 The Sunday Brunch.
1.40 Open Forum.
2.00 Kitchen Cabinet.
2.30 Room 101.
3.00 Sunday Sport.
6.00 Walking in Big Footsteps.
6.30 Rock Solid.
7.10 Open University.
10.10 Across the Line.
12.00 Close.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHZ (463m) at the following times BST:
6.00 News. 6.30 Londres Matin. 7.00 News; News About Britain. 7.15 Letter From America. 7.30 Jazz For The Asking. 8.00 Newsdesk. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News; Words of Faith; Classics with Kay. 10.00 News; Business Review. 10.15 Short Story: Just Another Day. 10.30 Folk in Britain. 10.45 Sports Roundup. 11.00 News Summary; Science in Action. 11.30 Londres Midi. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 Play of the Week: The Royal Hunt Of The Sun. 2.00 Newshour. 3.00 News Summary. 3.01 Pop On The Line. 4.00 News. 4.15 BBC English. 4.30 News in German; Weltspiegel, Brief aus Berlin. 5.00 News; Travel News; BBC English. 5.30 Londres Soir. 6.14 Jazz Now And Then. 6.29 News Summary. 6.30 News in German; Weltspiegel. 7.00 News in German; Sunday Feature. 8.00 Modern Masterpiece. 8.30 Europe Tonight. 9.00 News; Folk in Britain; Words of Faith. 9.30 Brain Of Britain. 10.00 Newshour. 11.00 News; News About Britain. 11.15 Short Story: Just Another Day. 11.30 Letter From America. 11.45 Sports Roundup. 12.00 News; Business Review; Classics with Kay. 1.00 Newsdesk. 1.30 In Praise Of God. 2.00 News Summary; Passport To Permanence. 2.45 Music From The Age Of Columbus. 3.00 Newsdesk. 3.30 Composer Of The Month: Boshulav Martinu. 4.00 News; Words Of Faith. 4.15 Sports Roundup. 4.30 The Week Ahead; Travel. 4.45 News and Press Review in German.

CLASSIC FM 6.00 Sarah Lucas.
9.00 Classic Romance. 12.00 CD Requests. 2.00 Celebrity Choice. 3.00 Robert Booth 7.00 Love Lives of the Great Composers. 8.00 Classic FM Concert. 10.00 Sunday Night Out. 11.00 Contemporary Classics.
12.00 Andre Leon.
2.00 Classic Romance.
3.00 Andre Leon.
4.00 Love Lives of the Great Composers.

CHESS/BRIDGE

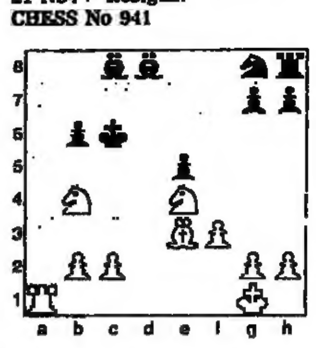
IT HAS been Bobby Fischer's week in Sveti Stefan. Following his shaky start to his $5m (£2.7m) rematch with Boris Spassky, Fischer has won three games in succession. Spassky himself missed a chance for three wins in a row when he spoilt a won ending in game six, but then fell back into the defeatist syndrome which haunted him in their world title series at Reykjavik

When Fischer led 4-2 after nine games, Spassky asked for a postponement due to a kidney ailment. Off-board, Fischer has insisted on a glass screen between players and audience, and wants the playing area encased in a giant glass bell when the match transfers to Belgrade after one side wins five games. His credibility for a further high-profile series against Karpov, Short or Kasparov is growing (R Fischer, White; B Spassky, Black; ninth game 1992).

1 e4 e5 2 Nf3 Nc6 3 Bb5 a6 4 Bxc6 dxc6 5 0-0 f6 6 d4 exd4 7 Nxd4 c5 8 Nb3 Qxd1 9 Rxd1 Bg4 10 f3 Be6 11 Nc3 Bd6 12 Be3 b6 13 a4 0-0-0 14 a5 Kb7 15 e5 Be7 If fxe5 16 Ne4 with advantage. The Ruy Lopez exchange variation 4 Bxc6 is an old Fischer favourite which has since gone out of fashion. Spassky should have been suspicious. Two of the handful of precedent games for the position after Black's 15th were played by former Fischer aides.

16 Rxd8 Bxd8 17 Ne4! Fischer had hoarded this move since 1976. Spassky should reply Bxb3 though 18 cxb3 f5 19 Rd1 is good for White. Instead he blunders fatally, so in a sense the game only lasts two moves.Kc6? 18 axb6 cxb6 19 Nbxc5! If now bxc5 20 Rxa6+ Kd7 21 Nxc5+ wins at least two pawns. Bc8 20 Nxa6 fxe5 21 Nb4+ Resigns.

CHESS No 941



Fischer v Spassky, 9th game, final position. Spassky is only a pawn down, and his king can escape check at b5, b7, c7 or d7, so why did he give up?
Solution Page XVI

Leonard Barden

Today's hand, which comes from rubber bridge, struck me as very interesting. Let us study An Old Friend:

	N	
	♠ A J 4 ♥ A 3 ♦ K 10 9 5 ♣ Q 10 9 7	
W ♠ 7 6 3 2 ♥ K 2 ♦ 8 6 4 3 ♣ A 4 3		E ♠ K 8 5 ♥ J 10 9 8 6 5 ♦ A 2 ♣ 8 6
	S ♠ Q 10 9 ♥ Q 7 4 ♦ Q J 7 ♣ K J 5 2	

With both sides vulnerable, North dealt, and opened the bidding with one diamond, East overcalled with one heart, South said two no trumps – not in my opinion the ideal response – and North's raise to three no trumps concluded the auction.

West led the heart king, declarer won it with dummy's ace, and returned the seven of clubs to king and ace. West took, and returned the heart two, East played his eight, and South held up. The heart five - SPS for a diamond return – was taken by the queen, and the three remaining clubs were cashed. South then ran his queen of spades, East had the king, and defeated the contract by two tricks.

If declarer had played a diamond at the second trick, he would have made his contract, because he would have removed East's entry. But that does not excuse his bad play. He forgot an old friend, the hold-up with two stoppers.

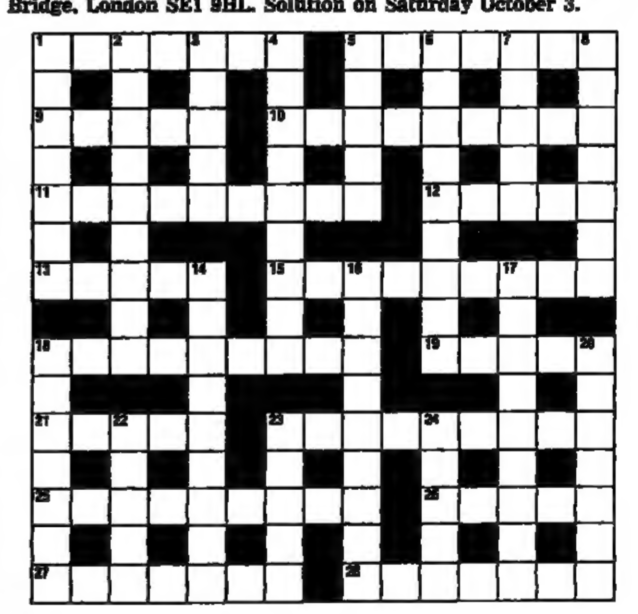
Let us replay the hand. We allow West's heart king to hold, and win the two with dummy's ace. Like the previous declarer, we choose the wrong minor suit to attack and lead a club. But this time, when West takes his ace, he has no heart to lead, so he switches to a spade. We take with the ace – if we finesse, we go down – and lead a diamond. East wins, and dislodges our heart queen, but we get home with one spade, two hearts, and six tricks in the minors. If East has both aces, the contract is unmakeable.

E P C Cotter

CROSSWORD

No. 7,955 Set by CINEPHILE

A prize of a classic Pelikan Souveran 800 fountain pen for the first correct solution opened and five runner-up prizes of £15. Solutions by Wednesday September 30, marked Crossword 7,955 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 3.



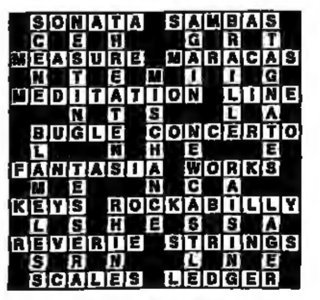
Name...

Address...

ACROSS
1 County with no right people .... (7)
5 .... and one backing off in bad temper (7)
9 Factory put there by an enemy? (5)
10 Find musical evening genuine (9)
11 After publicity I leave military order for naval (9)
12 Dance adds flavour to love (5)
13 European partner (5)
15 Having on item of clothing I turn blue at entrance (9)
18 Invocation of lawman at beginning of the games among fire-fighting equipment (4,5)
19 More for the next race (5)
21 Unpleasantly large square (5)
23 Writing case for boy that is following father (9)
25 Entered casually during tea break with drink for meal (5,4)
26 Woman to stay for fruit? (5)
27 What happened at noon, put right (7)
28 Gets in information the wrong way with savings (4,3)

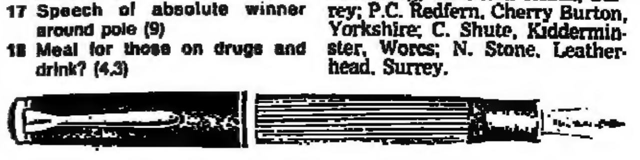
DOWN
1 Sleep overcomes worker with good chance of success (3,4)
2 Hard core art model with a difference (4,5)
3 True love in trouble: a magpie would be better! (5)
4 Child that's good much appreciates tactful handlers (3,6)
5 African tree with a lot of lip (5)
6 Failure to take hold due to very bad cold? (9)
7 Canoe at sea (big one) (5)
8 Listening post at important part of round (7)
14 House and grounds maybe do the same (9)
16 Unusual essay in horsepower, like rolling stones uphill? (9)
17 Speech of absolute winner around pole (9)
18 Meal for those on drugs and drink? (4,3)
20 Perennial gets a medal when placed around railway (3-4)
22 Grave, if under top of stone, for those who would "play the man"? (5)
23 Investigated what sounds like conceit (5)
24 Paper on half time with backing (5)

Solution to Puzzle No.7,954



Solution and winners of Puzzle No.7,943

T.F. Wall, Watford, Herts; K.W. Hargrove, Bude, Cornwall; D.A. King, Thornton Heath, Surrey; P.C. Redfern, Cherry Burton, Yorkshire; C. Shute, Kidderminster, Worcs; N. Stone, Leatherhead, Surrey.



Aux armes, citoyens

***Andrew Adonis** wants a British referendum on Maastricht*

I AM convinced there is something in the British psyche that despises democracy. It is not just cynicism about politics: we want to be led and governed, and short of a poll tax will submit to the most harebrained nonsense coming from a minister.

Yet watching the *citoyens* prepare to exercise their sovereignty, even I am amazed that the British public should be so blasé at the democratic enormity of enacting the Maastricht treaty without even a semblance of popular consent.

To John Major, it is a special British quality. "Uniquely in the Community," he boasted to an assemblage of Eurocrats in London last week, "we in Britain will scrutinise the [Maastricht] Bill line by line, *clause by clause* and vote on *it* in the same way."

But "We in Britain" are the 651 MPs. In case any of the applauding throng missed a heartbeat by thinking that *we* might include *us* – you and me – the prime minister spelt it out: "I believe myself that this – Parliament's unique scrutiny – is a more effective scrutiny than referenda where many votes may be cast on matters wholly unrelated to the Treaty."

Were the issue not so grave, *we* might be forgiven for thinking this another of Major's elaborate jokes – you know, like "there is going to be no devaluation." One can just picture the Community's leaders wise-cracking over a jolly week-end *of treaty making. ("Submit it to the people? Ha ha! Who knows what might they might be thinking about in the polling booth! Come to think of it, isn't that true of elections too, Helmut?")*

Other jokes in the same speech give credence to the charitable view. Such as: "The Maastricht Treaty is a product of compromises by 12 nations." Silly us, who thought it was 12 *governments* who negotiated the treaty, subject to the consent of their nations afterwards.

To be fair, Major's slip was Freudian. For in Britain, the all too serious truth is that the government *is* the nation so far as European Community affairs are concerned.

However long they waffle on *about the lines and clauses, MPs are* not able to change a dot or comma of Maastricht. It would fall if they did. They can give only a straight vote for or against – which makes ratification an ideally simple issue to put to a referendum.

If the French people give them the chance, it is a foregone conclusion that Britain's MPs will vote "yes". Whisper it not, but many will cast their votes on matters wholly unrelated to the Treaty. Three-line whips are not the best incentives for objective scrutiny. Some Tories opposed to the treaty will vote for it out of party loyalty; others in the hope of promotion; a few so as not to endanger that constituency favour or foreign trip.

True, we had a general election. But with all three parties agreed on Maastricht, it offered precisely zero choice on a single European currency and common Community foreign and security policy. The parties engaged in a conspiracy of silence.

So British ratification of Maastricht will be no more than Major assenting to his own treaty.

Only a referendum will prevent that democratic fraud. Maastricht is among the most significant changes to the UK constitution this century. Parliament should not agree to it without a positive expression of the electorate's will. Since the election manifestly failed to provide one, a referendum is imperative.

*Forget the "parliamentary sover*eignty" wails. If we are indeed a democracy, MPs have no moral right to reshape *our* constitution if they have good reason to believe a majority of citizens may be opposed to them. Imagine the outcry if, in response to the current titbits, the government next year tried to abol*ish the monarchy.*

Yet a currency union is of far more constitutional significance than the survival of the monarchy – as this week's turmoil should have brought home to the meanest mortgagee.

Moreover, the referendum is not foreign to Britain. Internationally, it is increasingly employed as a democratic hurdle for major constitutional change. There are only four democracies in the world which have never used one for that purpose: India, Israel, Japan and – did you guess? – the Netherlands.

I would vote "yes" should we be asked our view. Britain is already part of a federation, and Maastricht, *for all its shortcomings*, is necessary to strengthen and codify it.

Nothing, though, is more calculated to generate bitter disillusion with the Community, even to destroy it, than to impose it on the voters by royal decree.

Colin Beere

Private View / **Christian Tyler**

One cool head in a crisis

Trapeze guru Jean Palacy describes the pleasures of a life of flight

THE CHANCELLOR performs a double backward somersault, currencies plunge through the safety net, the Big Top shudders, the president's prostate is paraded around the ring and the future of Europe bangs in the balance.

It has been a spectacular week and its climax is tomorrow's French referendum.

But here is one Frenchman who won't be voting.

Jean Palacy is unmoved. "I suppose it's my duty," he said, "because if the result's not good then I am responsible. *Mais*..." He shrugged. "In any case I think politics is... I don't know how to explain... The outcome is always much the same."

The *doyen* of the flying trapeze has a longer perspective and larger preoccupations – not least the fate of his Ecole Trapèze Volant in Paris which next month will have to quit its present site because the developers are moving in.

I found him, a *broad-shouldered* man hunched in a chair, giving master-classes in a leafy square in Bristol. His big hands worked the ropes of the safety harness while neophyte fliers swung to and fro, silhouetted in the rig above him before dropping exhausted into his net like ripe fruit into a basket.

His English *wife* Pauline was on the platform shouting instructions: "Shoulders up! Now bend! Keep your bum in!"

After 27 years aloft as one of the most famous catchers in the world, the Professor of Trapeze, now 62, is grounded. One leg is twisted and he walks with a stick. He resembles an amiable troll with his big chest and strong arms, tanned face and gentle eyes.

I asked him to describe the fascination of his trade.

"It's like flying, like being a bird. That sensation of flying then falling gently into the net is very pleasant."

When you're up there, what do you think about? The danger?

"No. One thinks about the job one has to do. To be a good trapeze artist you must above all think hard. It's not suppleness, or strength so much as mental lucidity."

But there is the element of danger, too.

"There is a bit, but not much on the trapeze. It's much more dangerous to go riding because if the horse shies you can fall on your head. When you know how to do it you can take off the safety harness and you have the net. There's no danger."

But you know people who've been killed doing it?

"Yes. Lots have. But not always because of the act – because of the gear."

Palacy's only serious accident occurred in the Christmas of 1950 when he was 20 and working with his first flying troupe, the Meteors, for Bertram Mills' circus at Olympia in London.

"It was the first day and the net was 25 metres off the ground. When the act was over I went like this (he spread his arms wide) to fall into the net. I went right through the net and fell 25 metres to the ground. I was six months in hospital in London, the West London in Hammersmith." He smiled.

The broken leg was re-set but he has been plagued with osteoarthritis ever since and will have to be operated on again soon.

After a year's recuperation the widow of another catcher, Stephan Clérans, asked him to reform her husband's troupe. Clérans had plunged 18 metres to his death in Chicago when the rope he was descending after the act just snapped.

Palacy, whose real name is Quentin ("Palacy" is an abbreviation of Pauline Lacy, the name of his second wife) was born in Paris, the son of a plumber and roofer – trades the son has himself pursued when down on his luck. It was seeing Tarzan in the cinema that decided his life for him.

"I wanted to play Tarzan and I did it. There was a place in Paris where they had trapezes, large and small, and you could go in and spend all day there for 50 centimes. There was no safety harness, no teachers. You did it by yourself. Sometimes *trapézistes* looked in and gave you tips.

"After four or five years you got to learn something. Then I was asked to join a troupe. I never thought of doing anything else."

What did your parents say?

"They didn't say anything. They were quite happy."

Is it a vocation, then, like the priesthood?

"Perhaps. For example at the school I train some doctors. Every year I have ten or 12 of them who train two times a week for three months. Then they put on a show for a week to raise money for humanitarian causes. And now I have some doctors who are no longer doctors. They've given up: they're trapeze artists. Its unbelievable."

So it's a sort of illness, then?

"Yes, it's like a drug. Once you've done it, you have to go on doing it."

Another of Palacy's former pupils was a dentist specialising in false teeth. At the age of 40 he decided to give it all up and teach trapeze: his school, which bears Palacy's name, is in Brussels.

The two schools organise troupes to appear in festivals. "They nearly always win gold and silver medals. After that, they want to work in big circuses. Everyone wants to be a flyer. But if you are big, if you are strong you have to be a catcher. Not many want to be the catcher because people aren't looking at him: they're looking at the flyer. But it's very important and much more difficult to do, and it takes longer to learn."

I asked Palacy whether the trapeze changed people and his wife answered for him in English: "I don't think anyone could tell you. You have to go up there and feel it yourself."

I mean, does it change people's character?

Jean replied: "Yes. Very much so with children. It gives them much more self-confidence, much more balance. Schoolteachers have told me that they have pupils who are not good at school but after doing trapeze they start doing well at their books. The trapeze is very special, even in the circus."

The film director Carol Reed captured it in his 1956 film *Trapeze*, a flying love-triangle composed of Burt Lancaster, Gina Lollobrigida and Tony Curtis.The point of suspense, I seem to remember, involved an attempted triple somersault: would the jealous catcher (Lancaster) drop his young rival, or the beautiful girl, to their deaths? Lancaster had himself once worked as a circus acrobat but in the film it was Jean Palacy, then Jean Quentin, who doubled for him on the bar.

I mentioned the triple and the professor said: "Now they do four. When I was in the US to prepare a troupe for the Big Apple Circus, they took me to see the Ringling show and there the Vazquez did four and a half. I've heard, but not seen, that there's a Russian who does five."

Jean Quentin was married first, at the age of 19, to Josianne his flying partner and they had a son, Patric, who works as a decorator. The marriage broke up and Jean met Pauline, a dancer who was performing aerial routines with a troupe of acrobats, in Spain. They formed a famous double act. Married in 1972, they had left it too late to have children of their own so adopted a little girl of three, Josie, who has grown up to be a model and beauty queen.

I wondered whether so single-minded and strange a career left room for other interests.

"Oh, yes", said Palacy, "there are plenty of things. Music, for example. I listen a lot to South American music. I like to do odd jobs." (*Bricoler* was the word he used.) Then he pointed to the silver rig above. "I made all the gear, all the trapezes myself.

"Space travel interests me; people floating in space, free-fall parachuting, those sorts of things. I dont' read much. I do a lot of cross-words. When I do read it's Frédéric Dard's 'Saint Antonio'. He's a comic crimewriter – *il est très drôle*.

"I knit as well. I make very nice pullovers. Anything to do with the hands I like."

He shouted to Pauline to fetch one of his sweaters from the van. She came back with a garment of purple, grey and white stitches; it looked very professional. "I make them for my pupils. When I was in hospital I made jumpers for the nurses." He laughed.

You've devoted your whole life to this business. Don't you sometimes think you should have done something else?

"No, I don't think so. If I had to start again I'd do the same. But I'd do it better this time – quicker and better."

I left Jean Palacy in his caravan, wondering whether some of our leaders might not profit from a few lessons with Europe's leading aerobatics professor.

As they say Europe / **James Morgan**

Why Britain was mugged

'In the end the French may vote "No" because they fear for the future of Camembert or hate the government'

IN GENERAL things get worse if a sensible policy is attempted. The week started with a rush of brains to the head when the Bundesbank and others cut interest rates and devalued the lira.

That seems a long time ago now, but the German move was overshadowed by later events. It should have meant the end of the crazy myth foisted on us by the markets. It runs thus: the D-mark is supreme because of high German interest rates. Those rates are high because *of the huge expense involved in financing* the reconstruction of the old East Germany.

So the lesson is that if you want a truly powerful currency you have to take over a totally bankrupt, broken down economy a tenth the size of your own. Ireland does not match these demanding conditions but if Britain were to attempt to re-absorb even that not wholly unsuccesful economy into the Union one would not expect sterling to go through the roof.

It all comes down to the Bundesbank, we are told. Its role had been to ensure that the experience of financing unification is as painful as possible, not just for the government which had carried it out in defiance of the Bank's wishes but for everybody. So an interest rate went to 75 per cent and then 500 per *cent in Sweden. The reason is that* the Germans alone were paying for unification – had the rest of the Community stumped up a few billion, German interest rates could have come down much earlier. So the Bundesbank banged its friends' heads against the wall in a determined attempt to let us all share in the German experience and bribe it to go away. A small concession meant everything else has fallen apart while the German problem is worse than ever.

But at least the British will now pay a quarter percent less on their 10bn Ecu loan to shore up the pound, even if it costs another billion or so in pounds to pay it back. That loan is interesting for legal reasons: it will be used to help cover the large the budget deficit. In the Maastricht Treaty, Britain says it "funds its borrowing requirment by the sale of debt to the private sector" (see the Protocol on certain provisions relating to the UK).

How that statement can be squared with borrowing from German state banks is hard to see. It is fortunate that the Maastricht Treaty is not in force, otherwise we would never be able to meet its demand for currency stability.

Tomorrow France votes on British public debt sales and even on Danish legislation on second homes (yes, that appears in the treaty too). It is an interesting thought, in view of the likely narrowness of the outcome, that the referendum could be settled by a few hundred Frenchmen who are worried about their holdings of British government stock and who are considering buying a summer cottage in the lee of Elsinore castle.

But there is one item that should sway a few votes into the "Yes" camp: Article 130 deals with "maintaining competitive markets" and states that regulations "shall be aimed at encouraging an environment favourable to cooperation between undertakings." Which of course has always provided the basis of French competition policy.

But in the end the French may vote "No" because they fear for the future of camembert or hate the government. It is hard on President Mitterand, because France has been the best run country in the Community since around 1983. Inflation is low, the balance of payments is in surplus. The awful level of unemployment, come boom or slump, is the one blot on the landscape, but the French are lucky to have only one blot when the rest of us have to put up with half a dozen. None of last week's craziness can be blamed on France. But if the French are sensible tomorrow, all of next week's will be.

□□□

European unity is dear to heart of the *Frankfurter Allgemeine*. It carried a report of last Sunday's, as always nationalistic, Last Night of the Proms in London which was seen live by German viewers. "It is fine, in *our Europe, how far* the bows stretch," wrote Hans Scherer, "from the unbounded happiness of the British to the overenthusiasm of the Sicilians, each jealously guarding its national idiosyncracies. But on the other hand there is the recognition that superficial observations about national character do not work. Thus one cannot really *imagine us Germans waving little* flags... and we are energetically working so that we never will."

James Morgan is diplomatic correspondent of the BBC World Service

Little rays of light

Michael Thompson-Noel

IT IS TIME for Hawks & Handsaws to toss its hat into the ring and launch one or two campaigns aimed at brightening our lives on this weary, wracked planet. I am not talking about big things – the ozone layer, fox hunting or pre-millennial tension I am talking about small things, such as the barbaric decision by England's cricket selectors not to include David Gower, a foppish but inspired batsman, in the England team to tour India this winter.

I have no interest in cricket. It strikes me as basically silly. But it gives pleasure to many, and that is good. Much to its credit, *The Observer* last weekend launched its RGC – Restore Gower Campaign. What caught my eye was the quote from a Gower supporter who said: "Gower is the gifted non-conformist being rejected by the puritans out of a mixture of animosity and jealousy. They don't like his casual approach and especially the fact that he can appear casual and still perform at the highest level."

That won my vote at once. Indeed, so impressed was I by the RGC that I am keen to organise something of my own. All week I

HAWKS & HANDSAWS

have been locked in policy talks with the advisers who shape and mould this column. Some of them you know: Miss Lee, my executive assistant; my agent, Harriet Halfshare; Juliet Fetherbrayne, who handles my PR; and Sheikh Walli Al-kaljabi, who advises me on asset management and what the rich are thinking.

The first idea we pondered was also the most obvious, an NLHNLC – Numerous Long Holidays for Norman Lamont Campaign. Britain's chancellor of the exchequer would be a suitable candidate for our largesse, for Hawks & Handsaws was the first column to suggest that his tenure might not be long-lived. We have since realised that Norman's grip on office is indissolubly linked to the prime minister's fate. They will hang together, or prosper and survive. In the meantime, numerous long holidays for Norman Lamont could *cause as much rejoicing as the rein*statement of David Gower.

The next idea we considered was the FSRNSWNASASETIPCUTC – Find Something Really Nice to Say When Nasa's Seti Programme Comes Up Trumps Campaign. On October 12, Columbus Day, at 3pm Atlantic Standard Time, Nasa astronomers will launch their 10-year Seti programme, or Search for Extraterrestrial Intelligence. The project has full Nasa mission status.

Astronomers like Jill Tarter, Seti's top scientist, envisage a galactic community of intelligent civilisations that are too far apart to "socialise, colonise or cannibalise one another," as *Life* put it this month, but which communicate via radio messages. The key question is this: once we detect a message, what will we say in reply? We cannot let the rest of the galaxy know what pigs we are; I suppose we will have to lie.

Another idea my advisors are toying with is a GNKIEC – Get Neil Kinnock Into Europe Campaign. We like Neil Kinnock, and support his proposed appointment as a European Commissioner. What lends weight to this idea is the remark of Sir Teddy Taylor MP, a leading Tory Euro-sceptic, that Kinnock "could actually do a great deal more for the EC than some of the Euro-twits regularly seen in Brussels."

A fourth idea was the COJGCPPM – Campaign to Organise a Jolly Good Christmas Party for Princess Margaret – on the grounds that the old duck must be sick of being portrayed as a faded appendage of the House of Windsor; must be worried *by the growing cross-party clamour* for royal pay cuts, and anyway likes nothing so much as a knees-up.

Other potential crusades we are contemplating include the NMJANMC – No More Jokes About Nigel Mansell Campaign; and the CEMBPBPAWPWLNH – Campaign to Ensure that More Big Premium Bond Prizes Are Won by People Who Live in Notting Hill.

Once you get going, all manner of opportunities for casting little rays of light across the planet's doomed and pitted surface spring to mind. So here is a competition: readers have until Friday October 2 to send me two proposals, plus *short*-explanations, for LRLAPDPS's – Little Rays of Light Across the Planet's Doomed and Pitted Surface.

Send them to Hawks & Handsaws, *Weekend FT*, Number One Southwark Bridge, London SE1 9HL. The judges will be gifted individuals, and a prize will be awarded.